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ABSTRACT

This manual provides a comprehensive set of definitions, rules, formats, and illustrations for use by public community and junior colleges in Texas to ensure consistent and uniform financial reporting. Chapter 1 provides an introduction to the manual, highlighting changes in requirements for Fiscal Year (FY) 1996. Chapter 2 presents general requirements for financial reports related to report content, while chapter 3 provides definitions of items to be used in the balance sheet, focusing on terms associated with assets, liabilities, and fund balances. Chapter 4 focuses on the statement of changes in fund balances, or reports of changes in financial position reflecting the results of all increases, decreases, and transfers affecting individual fund groups from the beginning to the end of the reporting period. Chapter 5 examines the statement of current funds revenues and expenditures, including a sample table for reporting revenues, while chapter 6 describes requirements for preparing a statement of educational and general expenditures summarized by elements of institutional costs. Chapter 7 discusses specific procedures for preparing the annual financial report, highlighting issues related to bonds, staff benefits, equipment, and investments and including a list of required reports and schedules. Chapter 8 describes the preparation of a schedule of federal financial assistance, while chapter 9 provides sample narratives to accompany the financial statements. Finally, chapter 10 provides sample forms, exhibits, schedules, and statements. (TGI)

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ED 400 897

Annual Financial Reporting Requirements for Texas Public Community Colleges Fiscal Year 1996

Division of Research, Planning and Finance
Texas Higher Education Coordinating Board

JC 960 667

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Coordinating Board Mission

The mission of the Texas Higher Education Coordinating Board is to provide the Legislature advice and comprehensive planning capability for higher education, to coordinate the effective delivery of higher education, to efficiently administer assigned statewide programs, and to advance higher education for the people of Texas.

Coordinating Board Philosophy

The Texas Higher Education Coordinating Board will promote access to quality higher education across the state with the conviction that access without quality is mediocrity and that quality without access is unacceptable. The Board will be open, ethical, responsive, and committed to public service. The Board will approach its work with a sense of purpose and responsibility to the people of Texas and is committed to the best use of public monies.

Annual Financial Reporting Requirements

Texas Public Community and Junior Colleges

Fiscal Year 1996

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ADDRESSES

The following addresses are to be used when mailing or delivering the college's Annual Financial Report by January 1 of each year.

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(Enclose three copies)	
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Mr. Lawrence Alwin State Auditor's Office P. O. Box 12067 Austin, Texas 78711	State Auditor's Office Two Commodore Plaza 206 E. Ninth Street Austin, Texas 78701
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CHAPTER 1

INTRODUCTION AND HIGHLIGHTS

CHAPTER 1

INTRODUCTION AND HIGHLIGHTS

A. Introduction

1. This manual provides a comprehensive set of definitions, rules, formats and illustrations for public community and junior colleges in Texas to use for consistent and uniform reporting. This manual is in substantial conformity with the American Institute of Certified Public Account's (AICPA) Industry Audit Guide, *Audit of Colleges and Universities*, as amended by AICPA Statement of Position (SOP) 74-8, *Financial Accounting and Reporting by Colleges and Universities*, and as modified by applicable Financial Accounting Standards Board (FASB) pronouncements issued through November 30, 1989, and as modified by all applicable Governmental Accounting Standards Board (GASB) pronouncements cited in Codification Section Co5, "Colleges and Universities." It is intended that each public community and junior college adopt the AICPA model for use in preparing their annual financial reports. If discrepancies exist between the AICPA Audit Guide and this *Annual Financial Reporting Requirements Manual*, the audit guide would prevail.

   It should also be noted that colleges should not change their accounting and reporting for depreciation of capital assets as a result of FASB 93. However, colleges and universities are not precluded from depreciating their capital assets under an option permitted by the AICPA audit guide (GASB Statement No. 8). This option permits reporting a depreciation allowance for capital assets on the balance sheet and a provision for depreciation on the statement of changes in the balance of the investment in plant subsection of the plant fund groups, in accordance with *Audits of Colleges and Universities*.

   The concepts and formats attempt to comply with Generally Accepted Accounting Principles (GAAP), which include pronouncements of the GASB and FASB where applicable. Any deviation from the reporting requirements specified in this manual or GAAP because of institutional policy should be minimal and not mislead an informed reader. Chapter Nine, Notes to the Financial Statement, includes examples that may need to be modified to fit each particular institution's actual circumstances. If a footnote is clearly not applicable, a negative assurance footnote is not required.

2. Deviations from the concepts and/or formats presented in this manual should be approved by the Texas Higher Education Coordinating Board prior to the submission of the annual financial report. Deviations should be disclosed in the Notes to the Financial Statements.

3. These requirements have been reviewed and approved for use by the State Auditor's Office. Questions may be directed to the State Auditor's Office (512) 479-4700 or the Coordinating Board staff at (512) 483-6130.

   Windows version of Lotus 123 worksheets files of the exhibits and schedules are available by e-mail or calling the Research, Planning & Finance Division.

B. The institution's audited financial statements (in quantity indicated) should be forwarded to each agency listed on pages ii and iii of this manual by January 1st each year.

C. Changes For FY 96

1. Definition of Auxiliary Enterprises has been clarified in recognition of state expectations of Auxiliaries. (Chapt 2, E and Chapt 5, B.2.)

2. Reporting of the proportionality retirement expenditures and the differential of the Optional Retirement Plan (ORP). (Chapt 5, A.1., Chapt 6, Schedules C-1 and C-3)

3. Updated the Report Guidelines in Footnote 2 to clarify applicability of FASB and GASB pronouncements. (Chapt 9)

4. Recognizing the new Public Funds Investment Act of 1995 in Footnote 3. (Chapt 9)

5. Fund Group Definitions were moved from Chapter 3 to Chapter 2.

6. Schedule A-1 and A-2 were combined into one schedule. (Chapt 10)

7. Various paragraphs in Chapter 7 were moved and combined with the applicable topic in Chapters 3, 4, and 5 to consolidate comments in one place.

8. Federal loan programs to students are not to be included in Schedule D-3. (Chapt 8 and 10)

CHAPTER 2

REPORT CONTENT

CHAPTER 2

REPORT REQUIREMENTS

A. **Report Due Date** – The audited annual financial report as described below is due by **January 1** of each year.

B. **Report Content** – Each published audited financial report must include the items listed below. Examples are included in Chapter 10, Statements and Schedules:

- Name and Terms of the Board of Trustees/Regents
- Officers of the College
- Independent Auditor's Opinion on the General Purpose Statements
- Balance Sheet
- Statement of Changes in Fund Balances
- Statement of Current Funds Revenues, Expenditures and Other Changes
- Notes to Financial Statements
- Supplementary Schedules listed in paragraph F. of this chapter.
- Single Audit Reports Required by OMB Circular A-128:

  Compliance Report–Based on an Audit of General-Purpose or Basic Financial Statements Performed in Accordance with Government Auditing Standards

  Report on the Internal Control Structure Based on an Audit of the General-Purpose Financial Statements Performed in Accordance with Government Auditing Standards

  Report on Internal Control Structure Used in Administering Federal Financial Assistance Programs

  Single Audit Report on Compliance With the General Requirements Applicable to Federal Financial Assistance Programs

  Single Audit Opinion on Compliance With Specific Requirements Applicable to Major Federal Financial Assistance Programs

  Single Audit Report on Compliance with Requirements Applicable to Non-major Federal Financial Assistance Program Transactions

  Report on Fraud, Abuse, or Illegal Acts **(Only when observed)**

  Schedule of Findings and Questioned Costs

The items should be arranged in the order listed above.

C. **Comparative Statements** – Current year totals and prior year totals should be included in the presentation of Exhibits A, B, and C. See Chapter 10, Statements and Schedules.

D. **Rounding** – The dollar amounts on the primary financial statements and the federal assistance schedule should be rounded to the nearest dollar.

Supplemental schedules may be rounded to the nearest dollar at the option of the institution.

E. **Fund Group Definitions** – Standardization of fund group definitions allows uniform reporting of fund groups by all public community and junior colleges in Texas.

1. **Current Funds** – funds expendable for current operating purposes.

   a. **Unrestricted Current Funds** – resources with no limitations or stipulations placed on them by external agencies or donors. These funds are used for carrying out the primary educational, research, extension, administration, and regulatory roles of the institution. Unrestricted current funds are reported in one additional category.

      1) **Auxiliary Enterprises Funds** – activities providing a service to students, faculty, or staff for a fee directly related to, although not

necessarily equal to, the cost of the service, e.g., bookstores, dormitories, dining halls, and intercollegiate athletics.

The state of Texas expects auxiliary enterprises to be self-supporting.

b. **Restricted Current Funds** – operating funds carrying external restrictions on their use.

2. **Loan Funds** – funds available for loans to students, faculty and staff.

3. **Endowment and Similar Funds** – includes these funds:

   a. **Endowment Funds** – funds for which a donor or other external agency has stipulated as a condition of a gift that the principal is to be maintained inviolate and in perpetuity, and that only the income from the investments of the funds may be expended.

   b. **Term Endowment Funds** – funds similar to endowment funds, except that all or part of the principal may be used after a stated period of time or upon the occurrence of a certain event.

   c. **Funds Functioning as Endowment** – funds that the governing board of the institution, rather than a donor or other external agency, has determined are to be retained and invested with only the income from the investments of the funds being expended. However, the principal as well as the income may be entirely used at the discretion of the governing board, subject to any donor-imposed restrictions on use.

4. **Annuity and Life Income Funds** – includes these funds:

   a. **Annuity Funds** – funds donated to an institution on condition that the institution pay a stipulated amount to the donor or designated individuals for a specified time or until the time of death of the annuitant.

   b. **Life Income Funds** – similar to Annuity Funds, except that the institution is required to pay to the donor or designated individuals only the income earned by the assets of the funds after deduction of appropriate management expenses.

5. **Plant Funds** – includes these funds:

   a. **Unexpended Plant Fund** – funds for the construction, rehabilitation, and acquisition of long-lived properties for institutional purposes.

   b. **Renewals and Replacements** – funds for the renewal and replacement of plant fund assets, but not additions and improvements to plant.

      In some instances, there is a fine line of distinction between a renewal or replacement and an improvement. Improvements are expenditures that extend the useful life of an asset or improve its performance or increase the asset value over that of the original. Renewals, in contrast, do not extend the asset's useful life. Like repairs and maintenance, renewals maintain the service level anticipated from the asset.

      In general, an improvement constitutes the removal of a major part or component of a building or piece of equipment and the substitution of a different part or component with improved or superior operating capabilities. A renewal or replacement, on the other hand, involves the removal of a major part or component of a building or piece of equipment and the substitution of a different part or component of essentially the same type and with the same performance capabilities as what was removed.

   c. **Retirement of Indebtedness** – funds to meet debt services charges and the retirement of indebtedness incurred to acquire long-lived properties.

   d. **Investment in Plant** – the total carrying value of all plant properties and facilities except those real properties that are the investment of endowment funds.

6. **Agency Funds** – funds held by the institution as custodian or fiscal agent for others, e.g., student organizations, individual students, or

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faculty members.

F. **Supplementary Schedules** – The information and financial statements required above include the schedules listed below. These schedules should be included in the published audited financial report after the Notes to the Financial Statement. Examples of these schedules are included in Chapter 10, Statements and Schedules.

(A-1) Schedule of Cash, Cash Equivalents and Investments

(C-1) Schedule of Current Funds Revenues (This schedule should include all current fund groups and tie to Exhibit C)

(C-2) Schedule of Current Funds Expenditures by Object Classification

(C-3) Schedule of Unrestricted Current Funds Educational and General Expenditures – Summarized by Elements of Institutional Costs

(C-4) Statement of Changes in Taxes Receivable

(D-1) Schedule of Bonds Payable and Debt Service Requirements

(D-2) Schedule of Pledged Revenues and Fund Balances for Revenue Bonds

(D-3) Schedule of Federal Financial Assistance-preceded by the auditor's Report on Supplementary Schedule of Federal Financial Assistance

If an institution does not use some of the primary supporting schedules listed here, it should include the disclaimer **"Schedule not used"** and continue with the numbering scheme.

Additional schedules may be included in the published financial report as required for internal management needs. Supplemental schedules should not be numbered in a way that would confuse them with the numbering scheme provided here.

CHAPTER 3

BALANCE SHEET

CHAPTER 3

BALANCE SHEET

A. Assets

1. **Cash and Cash Equivalents**—includes cash on hand, cash in banks (demand deposits, time deposits, and certificates of deposit), treasury bills, and treasury notes with original maturities of less than 90 days.

   a. **Cash on Hand** – any cash on hand at the end of the fiscal year.

   b. **Cash in Bank** – total amount of cash in local bank accounts. Note: this should reflect only cash in demand accounts.

   c. **Cash Equivalents** – any short term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

2. **Short-Term Investments** – investments with maturities of less than one year based on the original date of purchase, or other investments with longer maturity dates, if the entity plans to sell the investment during the next fiscal year. Investments in TEXPOOL would usually be reported as a short-term investment.

3. **Accounts Receivable** – includes only the net amount of accounts receivable. Allowances for doubtful accounts should be disclosed parenthetically as follows: Accounts Receivable, (net of $XXX allowance for doubtful account at August 31, 19XX). Additional details desired are to be handled in a footnote.

   The calculation of the allowance for doubtful accounts should be on a reasonable, realistic and supported basis. The remaining balance may be reflected as a reserve for accounts receivable (or non-liquid assets if combined with other non-monetary assets).

4. **Taxes Receivable** – includes the net amount of current and delinquent taxes receivable. Allowances for doubtful accounts should be disclosed parenthetically as follows: Taxes Receivable, (net of $XXX allowance for doubtful account at August 31, 19XX).

5. **Due From Other Funds** – accounts peculiar to institutional organizations using fund accounting. Each fund group must exist in complete independence of other fund groups. Each fund section is balanced in itself. A "due from" account must have a contra "due to" account in the other fund involved. The "due from" account would appear as an asset in the fund group loaning the funds. "Due from other funds" should be short-term only.

6. **Investments** – assets held by an institution to produce revenues. Assets include land or other real property, market investments, business enterprises, etc. Common market investments are corporate bonds and common or preferred stock.

   These assets should be considered long-term investments by definition and should not be confused with the investment of a temporary cash surplus. Management intent should also be a factor in determining whether an investment should be classified as long term.

7. **Accrued Interest Receivable** – interest that has been earned but not collected. Interest on notes, time deposits, etc., that is outstanding at the end of an accounting period should be calculated, recorded, and reported in the financial statements.

8. **Prepaid Expenses** – expenses that are assets when paid because they were incurred for future accounting periods and will be consumed in a relatively short period of time. All inventory items should be excluded from this category and disclosed as a separate line item under the proper heading for the type of inventories. Examples are insurance, rent, postage, etc., that are paid in advance and are applicable to future accounting periods.

9. **Deferred Charges** – long term prepayments of expenses subject to amortization. Examples are the cost of issuing bonds and certain pension costs.

10. **Federal Receivables** – funds expended or services performed for which federal contract and/or grant funds have not yet been collected during the current fiscal year are to be reported as Federal Receivables. Funds expended

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and/or services performed for which non-federal contract and grant funds have not been collected should be reported as Accounts Receivable.

Grant awards not yet funded and for which the institution has not yet performed services should not be considered as assets to be accounted for in the financial statements. The total amount of such uncollected grant awards at the balance sheet date is disclosed in the Notes to Financial Statements.

11. **Deposits** – funds used to establish an account to be used regularly. Examples are: utility deposits or funds placed with the federal government to participate in a loan program.

12. **Notes Receivable** – written contractual agreements containing an unconditional promise to pay a certain sum of money under terms specified in the note.

13. **Bond Proceeds Receivable** – the net amount of funds to be received from the sale and issuance of interest bearing certificates to the general public. The sale must occur before the end of the accounting period, with the funds not being received until the following accounting period.

    a. Bond proceeds receivable should be disclosed as a separate line item on the balance sheet.

    b. Notes and Loans receivable should also be separately disclosed as a line item on the balance sheet and not included with bond proceeds.

14. **Inventories**

    a. **Goods for Resale** – finished goods purchased by an entity for sale to another entity at an increased price. The total cost of goods for resale on hand as of a reporting date should be the amount reported as Goods for Resale Inventories.

    b. **Consumable Supplies** – goods and/or items purchased for daily operations (i.e., office supplies) and not for resale. This should be a line item disclosure and tied to the reserve amount in the analysis of fund balance for Unrestricted Current Funds.

    The method used in costing the inventory must be explained in detail in the footnotes to the Financial Statement.

15. **Land** – real property acquired by purchase or gift to be used in the operations of the institution. Land is characterized by an unlimited life. The value of land purchased includes the amount paid, any costs involving the purchase, such as legal fees and recording fees, and any costs in the preparation of the land for its intended use, such as grading and clearing. The value of land acquired by gift is the fair market value at the time of the gift.

16. **Buildings** – the cost of permanent structures used in the operations of the institution. This includes any permanently attached fixtures or machinery which cannot be removed without impairing the use of the building.

17. **Improvements Other Than Buildings** – all improvements to land other than buildings. This category includes streets, roads, bridges, pavements, landscaping, and utility distribution systems. The valuation method is the same as for buildings.

18. **Equipment** – permanent, movable property. Except for library books, museums and art collections, and livestock, which are accounted for separately, equipment includes all personal property having all of these characteristics: (1) an acquisition value in excess of a specific minimum (*dollar amount*) for each unit (It is recommended that the equipment have a useful life of two or more years and an acquisition cost of $500 or more per unit. This definition is consistent with federal requirement outlined in Circular A-21.), (2) an expected useful life in excess of a specific minimum period, and (3) an identity which is not altered materially through use.

19. **Library Books** – all library books, bound periodicals, microfilm, and other library items are included, regardless of the source of funds used in acquiring them. Library acquisitions are valued at cost or other reasonable basis; deletions are valued at annually-adjusted average cost. The general library should maintain records of all books and other library items. These records will suffice as detailed inventory records and should not be duplicated in the inventory records of the business office.

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20. **Museums and Art Collections** – all museum items, art and scientific collections, slide collections, etc., wherever located, are included, except those that are a part of the library holdings.

21. **Livestock** – are classified under plant assets. It includes, but is not limited to cattle, horses, mules, swine, sheep, goats and poultry.

22. **Construction in Progress** – this classification includes construction of buildings, other improvements, and equipment which are in progress at the end of the fiscal year. The amount completed during the fiscal year should be capitalized.

B. **Liabilities.**

1. **Accounts Payable** – a liability or amount owed to a creditor for goods or services received which resulted from an oral or implied promise to pay. Most accounts payable result from the purchase of goods, supplies, equipment, and/or services received.

   At year-end amounts owed on goods received should be classified as accounts payable. Encumbrances represent outstanding purchase orders and other commitments for materials or services not received as of the reporting date. Encumbrances should not be reported as expenditures nor included in liabilities in the balance sheet, but they should be reported as a reservation of Fund Balance on the Balance Sheet (see Exhibit A Fund Balance section).

2. **Accrued Liabilities** – obligations that accumulate systematically over time. The recording of these liabilities and the accompanying expenses is usually deferred to the end of the accounting period. An accrued expense is an expense that has been incurred during the accounting period but has neither been paid nor recorded. Examples of accrued liabilities would be payroll, payroll taxes, and interest.

3. **Deposits** – liabilities resulting from receipts which the institution may be required to repay in whole or in part. Examples are room deposits, property deposits, and deposits for keys and equipment.

4. **Due To Other Funds** – accounts peculiar to institutional organizations using fund accounting. Each fund group must be independent of other fund groups. Each fund section is balanced in itself. A "due to" account must have a contra "due from" account in the other fund involved. The "due to" account would appear as a liability in the borrowing fund groups. "Due to other funds" should be short-term only.

5. **Deferred Revenues and Credits** – payments received by the institution in advance, for goods or services to be rendered in a subsequent period. Deferred Revenue should only be reported when cash has been received and should not be reported as revenue until earned.

   An example of deferred revenues would be tuition and fees collected from students near the end of a fiscal year for the next term which begins in the next fiscal period.

6. **Accrued Compensable Absences Payable** – liabilities for the vacation and compensatory leave accrued by employees as of August 31. Accrued compensable absences payable should be disclosed as a separate line item on the balance sheet.

7. **Annuities Payable** – liabilities resulting from an agreement in which money or property is made available to the institution on the condition that the institution will periodically pay to the donor or designated individuals stipulated amounts for a specified length of time or until the death of the donor.

8. **Bonds Payable** – an interest-bearing certificate issued to derive resources to finance acquisition of long-lived assets. Bonds Payable are reported in Unexpended Plant Funds to the extent unexpended and in Investment in Plant to the extent expended.

   a. Bonds payable should be disclosed as a separate line item on the balance sheet. Variable Rate Notes Payable, which in substance are bonds should be reported as Bonds Payable on Exhibit A.

   b. Variable Rate Notes payable, which in substance are not bonds, should be separately disclosed as Notes and Loans

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Payable on the balance sheet.

c. Bonds Payable should be reported at the net of unamortized discounts or premiums. The balance of unamortized discounts/ premiums should be disclosed in parenthesis as follows: Bonds Payable (net of $xxx unamortized discounts/ premiums).

9. **Lease-Purchase Agreements Payable** – amounts owed under long-term lease-purchase agreements for the acquisition of equipment.

10. **Funds Held in Custody for Others** – funds in the custody of the institution but not belonging to it. Colleges and universities often serve as depositories or fiscal agents for student organizations, faculty committees, or for other groups connected with the institutions. Receipts and disbursements of agency funds do not constitute current funds revenues and expenditures and should not be included in the current funds operating statements.

C. **Fund Balances**

1. **Unrestricted Current Funds Balances** – the net accumulation over years of the excess of current funds revenues over current funds expenditures and transfers. It is available for future operating purposes or any other use determined by the governing board to the extent that the total fund balance exceeds the amount reported as Unrestricted-Reserved.

Reservations should be made for valid reserve amounts. If disclosing the valid or required reserve amounts results in a deficit balance, the deficit would be identified as Unreserved Undesignated. Reservations of unrestricted fund balances should be used to identify:

Third-party claims against resources that have not materialized as liabilities at balance sheet date.

Assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure.

Examples of Reserved Fund Balances (See Exhibit A for examples):

Reserved for Encumbrances.

Reserved for State Appropriations to be Lapsed.

Examples of Reserved Fund Balances for Non-Liquid Assets in Current Funds include: Accounts Receivable, Inventories, Prepaid Expenses, Consumable Supplies, Deposits, Travel Advances and Imprest Funds. Reserved Fund Balances do not include Interest and Other Receivables and Due from Other Fund Groups.

The unreserved fund balance should be composed of "Designated" and "Undesignated" components. The designated portion of fund balance is used to identify tentative resources. The designations of fund balance should be supported by definitive plans and approved by the Board of Trustees/Regents or institutional administration. By definition, fund balances in Auxiliary Enterprises would be considered designated except for valid reserves.

Examples of Unreserved Designated Fund Balance:

- Provision for FY 19XX Operating Budget
- Provision for Contracts and Grants Overhead and Adjustments
- Provision for Inventories (Unrestricted Current Fund Inventories are Reserved)
- Provision for Balances Subject to Reappropriation
- Provision for Capital Projects
- Provision for Service Departments Operating Funds
- Provision for Auxiliary Enterprises Operating Funds
- Provision for Departmental Operating Funds

The fund balance remaining after reduction for reserves and designated

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balances is identified as the Unreserved Undesignated fund balance, which is available to fund future budgets.

2. **Restricted Current Funds Balances** – unexpended balances of funds restricted by donors or other outside agencies to specific operating purposes. They originate from income on restricted endowment funds, gifts whose donors have placed limitations on their use, and grants from private or governmental sources for research, training, and other sponsored funds. They are reported as current revenues only to the extent they are spent during the year. Funds received this way, but not expended as of the date of the report, must be disclosed.

3. **Loan Funds Balances** – accounts for resources available for loans to students, faculty, and staff. Loan funds balances are to be identified as "United States Government Grants Refundable" with specific identification of each grant refundable and detail as to federal government equity and institutional matching funds and "University Loan Funds" with balances identified as restricted and unrestricted. Restriction of balances can only be imposed by outside donors or agencies.

4. **Endowment and Similar Funds Balances** – accounts for the resources for which donors, external agencies, or the governing board have stipulated that the principal of the fund is not expendable and is to be invested for the purpose of producing present and future income. That income may be expended or added to principal. Endowment funds balances are to be identified as:

   a) **Endowments** – funds for which donors or other external agencies have stipulated under the terms of the gift instrument creating the fund that the principal of the fund is not expendable. It is to remain inviolate in perpetuity and is to be invested for the purpose of producing present and future income which may be expended or added to principal.

   b) **Term Endowments** – funds which are like endowment funds, except that all or part of the principal may be used after a stated period of time or the occurrence of a certain event.

   c) **Funds Functioning as Endowments** – funds that the governing board of the institution, rather than a donor or other external agency, has determined are to be retained and invested. The governing board may utilize principal and interest subject to donor restrictions. Balances should be shown as "restricted" or "unrestricted" to insure compliance with donor restrictions on use of income or principal.

5. **Annuity and Life Income Funds Balances**

   a. **Annuity Funds Balances** – accounts for funds donated to the institution on condition that the institution pay a stipulated amount to the donor or designated individuals for a specific time or until the time of death of the annuitant.

   b. **Life Income Funds Balances** – accounts for funds donated to the institution on condition that the institution pay to the donor or designated individuals only the income earned by the assets of the funds after deduction of appropriate management expenses.

6. **Plant Funds Balances**

   a. **Unexpended Plant Funds Balances** – accounts for funds for the construction, rehabilitation, and acquisition of physical properties for institutional purposes. Fund Balances are to be identified as restricted or unrestricted. This category does not include unexpended bond proceeds which are shown as Bonds Payable.

   b. **Funds for Renewals and Replacements** – accounts for funds for the renewal and replacement of plant assets, but not from additions and improvements to plant. Fund balances are to be identified as restricted and unrestricted.

   c. **Funds for Retirement of Indebtedness Balances** – accounts for funds to meet debt service charges and the retirement of indebtedness. Fund balances are usually identified as restricted. In the event of over funding of indebtedness the over funded amount should be reported as unrestricted.

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d. **Net Investment in Plant** – the fund balance representing the excess of the carrying value of assets over long-term liabilities. It is increased through acquisition of plant assets, less associated liabilities, as well as through liquidation of indebtedness incurred for plant purposes. It is decreased through disposal of assets.

CHAPTER 4

STATEMENT OF CHANGES IN FUND BALANCES

CHAPTER 4

STATEMENT OF CHANGES IN FUND BALANCES

A. **Purpose** – The Statement of Changes in Fund Balances is a statement of changes in financial position between reporting dates and is presented for all fund groups except agency funds, which have no fund balances. This statement reflects the results of all increases, decreases, and transfers affecting each of the fund groups. It presents a summary of total activity from the beginning to the end of the reporting period, including the resources flowing into and out of each fund group and the effect on the net increase or decrease in fund balance.

All beginning balances for the current year report must equal the corresponding ending balances presented in the published report from the previous year.

When there is a need to close or transfer one account balance to another account, the beginning balance of the account balance which is closed/transferred will be included. Two accounts will not be treated as one account for the year by presenting the activity on one line. Such "lumping together" of accounts would erroneously imply that only the one account existed throughout the year for that activity.

Where material, prior period adjustments should be made through adjustments to the beginning fund balance and explained in the notes to the financial statements.

B. **Revenues and Other Additions**

1. **Unrestricted Current Funds Revenues** – This category includes resources an institution receives that have no limitations or stipulations placed on them by external agencies or donors. They are summarized on the unrestricted current funds revenue line on Exhibit B. Funds for which there are no restrictions are recorded as revenue in the period in which they are earned.

   The term "additions" is in contrast to "revenues" and "transfers." Additions are amounts received or made available to the restricted current funds during the reporting period, and should be reported in the Statement of Changes in Fund Balance. The amounts of restricted funds expended during the fiscal period are reported as restricted fund revenues, and should be reported in the Statement of Current Funds Revenues, Expenditures and Other Changes.

2. **State Appropriations-Restricted** – Group insurance and retirement matching funds would be reported in Restricted Current Funds.

3. **Federal Grants and Contracts** – This category includes (1) all unrestricted amounts received by grants, contracts, and agreements from federal governmental agencies for current operations, (2) all amounts received or made available through restricted grants, contracts and cooperative agreements to the extent expended for current operations, and (3) all pass-through funds received.

   Indirect cost recoveries on grants, contracts and agreements should be reported as unrestricted current funds revenue. The corresponding amounts of indirect costs incurred by the grants, contracts or agreements should be shown as other deductions in the Restricted Fund Group on Exhibit B rather than as expenditures. Interest subsidy or construction grants should be recorded directly in Retirement of Indebtedness or Unexpended Plant Funds. They should also be included in the federal schedule and as a reconciling item in Note 1 of that schedule.

4. **State Grants and Contracts** – This category includes restricted grants and contracts received from the State of Texas or from other states. This category also includes interagency contracts with other Texas agencies.

5. **Local Grants and Contracts** – This category includes restricted amounts received for current operations from governmental agencies below the state level for current operations.

6. **Private Gifts, Grants and Contracts** – This category includes amounts from non-governmental organizations and individuals, including funds resulting from contracting for the furnishing of goods and services of an instructional, research, or public service nature. It includes all restricted gifts, grants and bequests from non-governmental sources for current operations. Gifts, grants, and contracts from foreign governments

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should be included in this category. If material, non-monetary donations of services (e.g., professionals or members of religious groups donating their services, or computer time donated to the institution by an organization), should be recorded as gift revenue at a rate as close to fair market value as can be objectively determined. An equivalent value should be reported as expenditures by the department or division receiving the services, following the same classification as other expenditures.

7. **Investment/Endowment Income** – This category normally represents interest income from long-term investments, including endowments, term endowments, and funds functioning as endowments. Life Income and Annuity Funds also may be administered on a similar basis. Current funds not needed immediately for operating purposes and other funds earmarked for use as needed for plant construction or other capital improvements may be used for short term investments.

8. **Realized Gains on Investments** – This is the amount of income realized over the book value of the investment.

9. **Interest on Loans Receivable** – This amount represents interest received from Perkins, Nursing Student Loans, and emergency loans for students. The accrual basis should be employed for determining interest earned. However, if the amount is immaterial, it may be accounted for on the cash basis.

10. **U.S. Government Advances** – These are funds advanced by the federal government to cover Perkins and other federal loan programs.

11. **Net Change in Bonds Payable** – This amount represents the net change between the beginning balance in bonds payable and the ending balance.

    The net change in Variable Rate Notes, which are not in substance bonds should be included in the net change for Notes and Loans Payable.

12. **Expended for Plant Facilities** – This represents amounts that have been capitalized from expenditures of each fund group. Normally this capitalized amount would be for land, buildings, improvements other than buildings, equipment, library books and construction in progress. Gifts of properties should be reported as gifts.

    The amount charged to Current Funds Expenditures should be shown parenthetically.

13. **Other Detail as Needed** – Any additions which do not fall within one of the categories above should be included at this point. Those amounts that are immaterial can be added together under "Other Additions." If amounts are material, they should be listed separately.

    - Interest income, if it cannot be properly classified as Investment Income, should be disclosed as a separate line item with the caption "Other Interest Income."

C. **Expenditures and Other Deductions**

1. **Expenditures** – Expenditures represent the cost incurred from all fund groups. However, *except for the unrestricted and restricted current fund groups*, expenditures shown on this line item should be limited to miscellaneous (i.e. non-material expenditures).

2. **Expended for Plant Facilities** – This amount represents capitalized cost expended from plant funds.

3. **Indirect Cost Recovered** – This amount represents the reimbursement of overhead for administering contracts and grants.

4. **Refunded to Grantors** – This is the unexpended portion of a grant that has been completed or has reached its termination date.

5. **Loan Cancellations and Write-Offs** – This amount represents uncollectible loans that have been written off or loans that have been charged off due to the Attorney General's opinion that allows the assignment of uncollectible Perkins or other federal loan program notes to the federal government.

6. **Administrative and Collection Costs** – This category represents the cost of administering student aid loan programs.

7. **Retirement of Indebtedness** – This is the amount of bonds which have been retired. The amount of variable rate notes retired should be disclosed as a separate line item.

8. **Interest on Indebtedness** – Interest paid on all long term indebtedness.

   a. Interest paid for Bonds Payable should be disclosed as a separate line item on this statement.

   b. Interest paid on Variable Rate Notes should be separately disclosed as a line item.

9. **Disposal of Plant Facilities** – This amount represents the reduction in capitalized assets such as buildings and equipment. This reduction is normally due to obsolescence.

10. **Other Detail as Needed** – Any deductions which do not fall within one of the categories above should be included at this point. Those amounts that are immaterial can be added together under "Other Deductions." If the amounts are considered material, they should be listed separately.

    This disclosure leaves the Other Deduction line item clean with respect to expenditure of funds.

D. Transfers Among Funds
Additions (Deductions)

1. **Mandatory Transfers** – This category should include transfers between fund groups arising out of:

   a. binding legal agreements related to the financing of educational plant, such as amounts for debt retirement, interest, and required provisions for renewals and replacement of plant, that are not financed from other sources, and

   b. grant agreements with agencies of the federal government, donors, and other organizations to match gifts and grants. Transfers from unrestricted to restricted funds must be discretely identified by program. (Examples are TPEG, SEOG, and CWS.)

2. **Non-Mandatory Transfers** – This category should include those transfers between fund groups made at the discretion of the governing board to serve a variety of objectives, such as additions to loan funds, additions to funds functioning as endowments, general or specific plant additions, voluntary renewals and replacements of plant, and prepayments on debt principal. It also may include the retransfer of resources back to current funds.

   It is permissible to enter a lump sum account for non-mandatory transfers, but significant allocations should be footnoted.

CHAPTER 5

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES

CHAPTER 5

STATEMENT OF CURRENT FUNDS REVENUES EXPENDITURES AND OTHER CHANGES

A. **Current Funds Revenues** – The Statement of Current Funds Revenues and Expenditures does not purport to match expenses with revenues to derive a net income. It presents in detail the current funds revenues by source and the current funds expenditures by functions to provide the reader with adequate information concerning the details of the sources and uses of current funds. Listed below are various sources of current funds revenues. Table 1, at the end of this chapter, reflects recommended statement distribution of sample revenues.

Unrestricted Current Funds – resources received with no limitations or stipulations placed on them by external agencies or donors.

Restricted Current Funds – resources provided with externally established limitations or stipulations placed on their use. Funds received in the restricted current funds category are considered additions and are not recognized as revenue until expended for their intended purpose.

Restricted receipts in excess of restricted expenditures should be shown as an addition to the restricted fund balance and not as deferred revenue.

Restricted funds revenues will be reported only to the extent expended.

Restricted revenues should be equal to expenditures and mandatory transfers.

In classifying revenues on accounts with multiple source funding, the general order of priorities is gifts, grants and contracts first, followed by other revenues and endowment income. Care should be taken to avoid reporting revenues from a source that may be depleted by deductions other than expenditures. (Example: indirect cost recoveries earned should be excluded from "gifts, grants and contracts" before applying expenditures against that fund source.) Where expenditures are greater than current years fund additions (after above-mentioned exclusions), the excess of expenditures over such additions should come from the primary fund sources of the beginning balance.

1. **State Appropriations**

   a. **Education and General State Support** – State legislative appropriations for current operations will be included in this category in Unrestricted Current Funds.

   b. **State Group Insurance** – Group insurance premiums paid by the state on behalf of current or former college employees should also be included as "State Appropriations" in Restricted Current Funds.

   c. **State Retirement Matching**– Even though the funds do not flow through the institution's accounts, amounts paid directly into a state or local retirement system on behalf of the college should be recorded as revenue of the institution for financial statement purposes. The contribution made by the state to the employee's retirement plan (TRS, ORP, or ERS) should be included as "State Appropriations" in Restricted Current Funds. An equal amount also would be recognized in the appropriate functional expenditure categories.

   d. **Non-Course-Based Remedial Education** -- State legislative appropriations trusteed to the Coordinating Board for non-course-based remedial education which is allocated to the institutions should be included as "State Appropriations" in Restricted Current Funds.

   e. **State Retirement Adjustment** – The retirement adjustment allocated to the Coordinating Board for Community Colleges includes funds for Optional Retirement Differential (difference between 7.31% and 6.00%) and proportional retirement contributions. This revenue should be reported as restricted.

   f. **Other Sources**

2. **Tuition** – This category covers all tuition assessed against students (net of refunds) for

educational purposes. The amount of tuition remissions and exemptions will be reported as unrestricted current funds revenues. (The corresponding amount will be reported as unrestricted current funds expenditures classified as "Scholarships and Fellowships.") This income category shall include amounts pledged to General Tuition Revenue Bonds. The dedicated amount would be shown as a mandatory transfer to Plant Funds – Retirement of Indebtedness on the Statement of Changes in Fund Balances.

Tuition remissions and exemptions will be reported as revenues and expenditures of Unrestricted Current Funds - Generally in the following manner:

a. Revenues classified as "Tuition and Fees" in total and labeled "Tuition Remissions and Exemptions" on the Statement of Current Funds Revenues.

b. Expenditures classified as "Scholarships and Fellowships" on the Statement of Current Funds Expenditures.

The portion of tuition that must be dedicated to the Texas Public Education Grant (TPEG) program (Texas Education Code section 56.033) is transferred to current restricted funds. This transfer must be discretely reported as a mandatory transfer. When the amount of TPEG funds transferred to restricted funds exceeds the amount of grants awarded, the excess should be reported as "Excess of TPEG Transfers over Grants Awarded."

3. **Fees** – This category covers all fees assessed against students (net of refunds) for educational purposes. Mandatory fees assessed students for auxiliary enterprise usage will be reported as Tuition and Fees in Auxiliary Enterprise Funds. (Student Service Fees as defined in the Texas Education Code section 54.503.)

A detailed presentation of fee revenue on the Statement of Current Funds Revenues has become a necessity. Fees should be defined as Building Use/General Fees, Student Service Fees and Other Fees. Tuition and Remissions and Exemptions should continue to be separate as well. (See Chapter 10, Statements and Schedules)

When specific fees are assessed under binding external restrictions for other than current operating purposes – for example, debt service on educational plant or on renewals, replacements, or additions to plant – they should be treated as a mandatory transfer reported as additions to the appropriate non-current fund group (in the above example, plant funds), since they are not legally available for current operating purposes.

If some portion of tuition or fees is allocated for other than operating purposes by the governing board or management, or subject to change by the governing board alone, the entire amount should be recorded as unrestricted current fund revenues and the portion allocated should be treated as a non-mandatory transfer to the appropriate fund group (in the above example, plant funds).

4. **Taxes for Current Operations** – This category includes all revenue derived from the collection of ad valorem taxes levied by the governing board for the operation and maintenance of the junior college district.

5. **Federal Grants and Contracts** – This category includes (1) all unrestricted amounts received by grants, contracts, and agreements from federal governmental agencies for current operations, (2) all amounts received or made available through restricted grants, contracts and cooperative agreements to the extent expended for current operations, and (3) all pass-through funds received.

Indirect cost recoveries on grants, contracts and agreements should be reported as unrestricted current funds revenue. The corresponding amounts of indirect costs incurred by the grants, contracts or agreements should be shown as other deductions in the Restricted Fund Group on Exhibit B rather than as expenditures.

Interest subsidy or construction grants should be recorded directly in Retirement of Indebtedness or Unexpended Plant Funds. They should also be included as a reconciling item in Note 1 of the federal schedule.

6. **State Grants and Contracts** – This category is similar to federal grants and contracts except it includes grants and contracts received from

the State of Texas or from other states. This income classification includes inter-agency contracts with State of Texas agencies. *Note, federal pass-through funds from state entities should not be included in this category* (See Chapter 8, Section D).

7. **Local Grants and Contracts** – similar to the preceding two revenue classifications except that it covers amounts received from governmental agencies below the state level and applies to the extent funds are expended for current operations.

8. **Private Gifts, Grants and Contracts** – This category includes amounts from nongovernmental organizations and individuals, including funds resulting from contracting for the furnishing of goods and services of an instructional, research, or public service nature. It includes all unrestricted gifts, grants and bequests as well as all restricted gifts, grants and bequests from nongovernmental sources to the extent expended in the current fiscal year for current operations.

   Grants and contracts from foreign governments are included in this category. If material, non-monetary donations of services (e.g., professionals or members of religious groups donating their services, or computer time donated to the institution by an organization) should be recorded as gift revenue at a rate as close to fair market value as can be objectively determined. An equivalent value should be reported as expenditures by the department or division receiving the services, following the same classification as other expenditures.

9. **Investment/Endowment Income** – includes (1) unrestricted income from endowment and similar funds and (2) restricted income from endowment and similar funds to the extent expended for current operations.

   The unrestricted income from investments of endowment and similar funds credited to unrestricted current funds revenues should be the total ordinary income earned (or yield), except for income that must be added back to the principal in accordance with the terms of the agreement of donation which is a mandatory transfer.

10. **Sales and Services of Educational Activities** -- includes revenues that are related incidentally to the conduct of instruction, research and public service and revenues from activities that exist to provide an instructional and laboratory experience for students that incidentally create goods and services that may be sold.

11. **Sales and Services of Auxiliary Enterprises** – This category is limited to revenues derived directly from the operation of the auxiliary enterprises themselves. Revenues from gifts, grants, or endowment income restricted for auxiliary enterprises should be reported under their respective sources categories.

    Auxiliary Enterprises revenues on Exhibit C will be detailed to recognize Auxiliary Enterprises revenues from Tuition and Fees, Sales and Services, Gifts and Grants (Federal, State and Private) and Other Sources. The Statement of Current Funds Revenues will detail other sources.

    An auxiliary enterprise is an entity that exists predominantly to furnish goods or services to students, faculty, or staff, and that charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. Examples are residence halls, food services, intercollegiate athletics, college unions, and college stores.

12. **Interest Income and Gains/Losses on Investments** – This category includes the interest income and gains or losses on investment in current funds.

13. **Other Sources** – This category should include all sources of current funds revenue that cannot properly be included in other classifications. Examples are miscellaneous rentals and sales, expired term endowments and terminated annuity or life income agreements, if they are not material.

B. **Current Fund Expenditures** – Current funds expenditures represent the cost incurred for goods and services used in the conduct of the institution's operations. They include the acquisition cost of capital assets, such as equipment and library books, to the extent current funds are budgeted for and used by operating departments for such

purposes.

If the amount of ending inventories or the cost of services benefiting future fiscal periods is material, both inventories and deferred charges should be recorded as assets. Previously recorded expenditures should be appropriately decreased. In a subsequent fiscal period, these inventories and deferred charges should be included as expenditures of that period as they are consumed.

Interdepartmental transactions ordinarily should be accounted for as an increase in current fund expenditures of the department receiving the materials, services or capital assets and as a decrease in current fund expenditures of the transferring department. Institutional expenditures are not inflated by the transactions. Any difference between charges to users for sales and services and the operational cost of service departments or central stores, whether debits or credits, are treated as Institutional Support expenditures. On the other hand, sales and services of an auxiliary enterprise to another department or auxiliary enterprise, or sales of materials produced by an instructional department to another department or auxiliary enterprise, would be reported as an expenditure of the department or auxiliary enterprise receiving the materials or services and as revenue of the department or auxiliary enterprise selling the materials or services.

1. **Educational and General**

   a. **Instruction** – includes expenditures for all activities that are part of an institution's instruction program. Expenditures for credit and non-credit courses, for academic, vocational, and technical instruction, for remedial and tutorial instruction, and for regular, special, and extension sessions should be included.

      Expenditures for departmental research and public service that are not separately budgeted should be included in this classification.

      Expenditures of department chairmen, in which instruction is still an important role of the administrator, are included in this category.

      This category excludes expenditures for academic administration when the primary assignment is administration – for example, academic deans.

   b. **Research** – This category should include all expenditures for activities specifically organized to produce research outcomes. Expenditures included in this category can be either internally or externally sponsored, but must be separately budgeted.

   c. **Public Service** – This category includes funds expended for activities that are established primarily to provide non-instructional services beneficial to individuals and groups external to the institution.

   d. **Academic Support** – This category should include funds expended primarily to provide support services for the institution's primary missions – instruction, research and public service. It includes (1) the retention, preservation and display of educational materials, i.e., libraries, museums and galleries; (2) academic administration, i.e., dean's salaries and office expenses; (3) technical support, i.e., computer services and audio-visual information; and (4) separately budgeted support for course and curriculum development, and related items.

   e. **Student Services** – This category should include funds expended for offices of admissions and the registrar and activities that primarily contribute to students' emotional and physical well- being and to their intellectual, cultural, and social development outside the context of the formal instruction program.

   f. **Institutional Support** – This category should include expenditures for (1) central executive level management and long-range planning of the entire institution; (2) fiscal operations; (3) administrative data processing; (4) space management; (5) employee personnel and records; (6) logistical activities that provide procurement, storerooms, safety, security, printing and transportation services to the institution; (7) support services for faculty and staff that do not operate as auxiliary enterprises; and (8)

activities concerned with community and alumni relations, including development and fund raising.

g. **Operations and Maintenance of Plant** - - This category should include all expenditures of current funds for the operation and maintenance of physical plant, net of amounts charged to auxiliary enterprises, hospitals and independent operations.

h. **Scholarships and Fellowships** – This category includes expenditures for scholarships and fellowships including tuition remissions and exemptions – from restricted and unrestricted funds – in grants to students either from selection by the institution or from an entitlement program. If the institution does not select the recipient of the award and is only custodian of the funds, as with ROTC scholarships, the funds should be reported in the Agency Fund group.

Recipients of grants are not required to perform service to the institution as consideration of the grant, nor are they expected to repay the amount of the grant to the funding source. When services are required in exchange for financial assistance, as in the federal College Work-Study Program, the charges should be classified as expenditures of the department or organizational unit to which the service is rendered.

2. **Auxiliary Enterprises** – includes all expenditures relating to the operation of auxiliary enterprises, including expenditures for operation and maintenance of plant and institutional support.

To record expenditures for E&G purposes from auxiliary enterprises funds, the funds should be transferred (non-mandatory) to Unrestricted Funds and the expenditures reported there.

Auxiliary enterprises that do not generate sufficient revenue in addition to the allocated student service fees to support their operations should show a transfer (non-mandatory) of non-appropriated funds (local taxes) that are used to support the operations of that enterprise.

TABLE 1: CURRENT FUNDS REVENUE DISTRIBUTION

Recommended Reporting of Current Funds Revenues

	Current Funds Revenues		
	Unrestricted	Auxiliary	Restricted
State Appropriation			
Education and General State Support	X		
State Group Insurance			X
State Retirement Matching			X
State Retirement Adjustment			X
Non-Course-Based Remedial Education			X
Other Sources	X		
Tuition (Note A)	X		
Fees (Note B)	X	X	
Taxes for Current Operation	X		
Federal Grants and Contracts			
Restricted grants & contracts			X
Indirect cost allowance	X		
State Grants and Contracts			
Restricted grants & Contracts			X
Indirect cost allowance	X		
Local Grants and Contracts			
Restricted grants & contracts			X
Indirect cost allowance	X		
Private Gifts, Grants and Contracts			
Unrestricted for current operations	X		
Restricted grants & contracts			X
Indirect cost allowance	X		
Investment/Endowment Income			
Restricted			X
Unrestricted	X		
Sales and Services of Educational Activities	X		
Sales and Services of Auxiliary Enterprises		X	
Interest Income and Gains/Losses on Investments	X	X	X
Other Sources	X	X	X

Note A: Tuition revenue would include the amount dedicated to payment of Tuition Revenue Bonds. The dedicated amount would be reflected as a mandatory transfer to Plant Funds – Retirement of Indebtedness.

Note B: The portion of General Fees (Building Use Fees) required to meet long term debt service would be a mandatory transfer to Plant Funds – Retirement of Indebtedness.

CHAPTER 6

STATEMENT OF EDUCATIONAL AND GENERAL EXPENDITURES SUMMARIZED BY ELEMENTS OF INSTITUTIONAL COSTS

CHAPTER 6

STATEMENT OF UNRESTRICTED CURRENT FUNDS EDUCATIONAL AND GENERAL EXPENDITURES SUMMARIZED BY ELEMENTS OF INSTITUTIONAL COSTS

The Statement of Unrestricted Current Funds Educational and General Expenditures Summarized by Elements of Institutional Cost (Schedule C-3) reclassifies the Current Funds Educational and General Expenditures for each academic institution into the elements of institutional cost developed by the Texas Higher Education Coordinating Board. Refer to the current definitions as adopted by the Texas Higher Education Coordinating Board.

Schedule C-3 includes only actual expenditures directly incurred by the institution.

The increase/decrease in the accrued liability for compensable absences should not be included as an expenditure in Schedule C-3. If the increase/decrease in the accrued liability for compensable absences is included in Exhibit C (Statement of Current Funds Revenues Expenditures and Other Changes) as an expense, then the amount of the expense should be included in the reconciliation between Exhibit C and Schedule C-3.

Tuition remission and exemptions should not be reported as an expenditure in Schedule C-3.

The following types of expenditures/expenses included in the Statement of Current Funds Revenue, Expenditures and Other Changes should NOT be included in this schedule:

Increase in accrued liability for compensated absences,
Tuition Remission and Exemption, and
Any other items which are not included in the elements of cost which determine General Revenue funding.

The 74th Legislature reduced appropriations for the employer matched Optional Retirement Program from 7.31 percent to 6.0 percent and also included a rider that required the payment of salaries and fringe benefits to be paid proportional to the source of funds. The legislature also appropriated funds to essentially hold community colleges harmless for fiscal years 1996 and 1997 with funds trusteed to the Coordinating Board as State Retirement Adjustment funds. These funds are restricted for this purpose, but should be included in this schedule under Staff Benefits and included in the reconciliation back to unrestricted funds. The expenditure of these funds will also be included in the annual Cost Study.

Table 2, on the next page, reflects the normal reclassification of the Elements of Institutional Cost and the functional classification of the Annual Financial Report.

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TABLE 2: ELEMENTS OF INSTITUTIONAL COSTS

Institutional Cost	Functional Classification
Instruction	
Academic	
Faculty Salaries	Instruction
Departmental Operating Expense	Instruction
Organized Activities Related to Instructional Departments	Instruction Academic Support
Vocational	
Faculty Salaries	Instruction
Departmental Operating Expense	Instruction
Organized Activities Related to Instructional Departments	Instruction Academic Support
Research	
Research Enhancements	Research
Public Services	
Extension and Public Services	Public Service Instruction
Academic Support	
Library	Academic Support
Instructional Administration	Academic Support
Student Services	Student Services
Institutional Support	
General Administration	Institutional Support
General Institutional Expense	Institutional Support
Campus Security	Institutional Support
Operation & Maintenance of Plant	
Plant Support Services	O & M of Plant
Building Maintenance	O & M of Plant
Custodial Services	O & M of Plant
Grounds Maintenance	O & M of Plant
Utilities	O & M of Plant
Staff Benefits	All Categories
Special Items	Scholarships & Fellowships Dependent upon type
Major Repairs and Rehabilitation of Building and Facilities	O & M Plant
Reconciliation	Tuition Remission & Exemptions State Retirement Adjustment Increase/decrease in compensable absences allocation

CHAPTER 7

SPECIFIC PROCEDURES FOR PREPARING THE ANNUAL FINANCIAL REPORT

CHAPTER 7

SPECIFIC PROCEDURES FOR PREPARING THE ANNUAL FINANCIAL REPORT

A. **Purpose** – The Specific Procedures for Preparing the Annual Financial Report provides requirements and clarification for the reporting of certain items.

B. **Bonds Payable** – Bonds payable will be reported on Exhibits A and B of the Report as follows:

1. **Exhibit A**

   a. **Unexpended Plant Funds** – the amount of unexpended bond proceeds will be reported as bonds payable in this fund group. The amount of unexpended variable rate note proceeds will be reported as variable rate notes payable in this fund group.

   b. **Investment in Plant** – Report the expended amounts of bond proceeds as bonds payable in this fund group. Report the expended amounts of variable rate notes as variable rate notes payable in this fund group.

2. **Exhibit B**

   a. **Unexpended Plant Funds** – Report the net change in the beginning and ending bonds payable balance and variable rate notes payable balance.

   b. **Investment in Plant** – Report the net change in the beginning and ending bonds payable balance and variable rate notes payable balance.

C. **Staff Benefits** should be reported as follows:

1. Benefits paid directly by the state include group insurance premiums, employer matching retirement contributions and state retirement adjustment . These benefits should be reported as State Appropriation in Current Restricted Funds.

2. Benefits will be reported in the expenditure classification to which they are applicable. If an institution is unable to determine precisely to which expenditure classification the benefits apply, these costs should be allocated based on salaries and wages paid in each category.

D. **Equipment acquired by lease-purchase agreements** – should be capitalized in the Investment in Plant account at the total cost of the equipment at the time the equipment is received. The cost of the equipment should not include the computed interest and maintenance fees. The unpaid portion of the cost of the equipment should be reported as a long-term liability in the Investment in Plant and a note to the financial statements should disclose the principle and interest requirements for each of the following five fiscal years. (See Chapter 9, Notes to the Financial Statements, Note 12)

   Insignificant transactions by lease-purchase agreements may continue to be reported on a cash basis. Also, the intent is the major factor in determining if the institution is acquiring or leasing the equipment.

E. **Equipment Held in Trust** – This includes equipment for which the institution has custodial responsibility but the title remains with an external agency, such as the federal government or a foundation. This equipment should be included in the assets but excluded from the Net Investment in Plant and shown as Equipment Held in Trust.

F. **Service Department Operations** – Service department operations are to be reported in Unrestricted Current Funds. Net revenues are to be reported as an increase or decrease to institutional support expenditures. Transfers and other additions or deductions are to be reported accordingly.

G. **Interest Subsidy Grants** – Interest subsidy grants are to be reported as revenues in the Retirement of Indebtedness fund group as a separate line item. If the only federal revenue in the Retirement of Indebtedness fund group is Interest Subsidy Grants, separate line item disclosure is not required.

H. **Allowance for Uncollectible Notes** – The change in the "Allowance" from the beginning balance should be reported as "Other Addition" or "Other Deduction" as appropriate.

   If the amount is material for an institution's fund group, the amount should be disclosed on the statement as a separate line item.

I. **Accrued Compensable Absences** – Accrued compensable absences are a required accounting entry for financial report purposes and as such should not be reported as an expenditure item on the element of institutional cost schedule. The amount should be shown as a reconciling item in the same manner as tuition remissions and exemptions.

The net increases or decreases in Accrued Compensable Absences Payable are preferred to be reported as an expense on Exhibit C. An alternative method is to report the net increase or decrease on Exhibit B as an other addition or other deduction to fund balance.

J. **Presentation of Cash and Investment Information** – The following disclosures are fully described in GASB Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements which applies to financial reports of "all state and local governmental entities, including . . . colleges and universities" (GASB Code, Sec.I50, P.333, May 31, 1990.

The districts should present the following information in their Notes to the Financial Statements. (See Footnotes 3 and 4)

1. Brief description of the types of investments authorized by legal or contractual provisions for your institution. Disclose any significant violations of these or other legal or contractual provisions during the period. An example of a violation requiring disclosure would be any under-collateralization that occurred during the year even if sufficient collateral exists at the Balance Sheet date.

2. Deposits and Investments. If the bank balances of deposits as of the balance sheet date are entirely insured or collateralized with securities held by the institution or by its agent in the institution's name, that fact should be stated. If not, the following disclosures should be made:

   a. Carrying amount of total deposits.

   b. The amount of total *bank balance* classified in these three categories of credit risk:

      (1) Insured or collateralized with securities held by the institution or by its agent in the institution's name.

      (2) Collateralized with securities held by the pledging financial institution's trust department or agent in the institution's name.

      (3) Uncollateralized. This category includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the institution's name.

   c. NOTE: Certificates of Deposit for this note must be reported as deposits and not investments if they are subject to federal depository insurance coverage or to collateralization. CDS may continue to be shown within investment categories on the balance sheet in accordance with the most appropriate method of presentation for financial reporting purposes.

3. Carrying amounts and market value of investments (including repurchase agreements) as of the balance sheet date in total and for each type of short-term and long-term investment. Investments must be categorized to give an indication of the level of risk assumed by the agency at year end. The three categories are:

   Category 1: Investments that are insured or registered or for which the securities are held by the institution or its agent in the institution's name.

   Category 2: Uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the institution's name.

   Category 3: Uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the institution's name.

   The categories above may not apply to all types of investments. In general, investments in pools managed by other governments or in mutual funds or investments in real estate should be disclosed but not categorized because

they are not evidenced by securities that exist in physical or book entry form. Securities underlying reverse repurchase agreements should also be disclosed but not categorized, because they are held by the buyer-lender.

Examples of the appropriate disclosure for Deposits and Investments is provided in Chapter 9, Notes to the Financial Statements, Note 4).

4. A financial institution's safekeeping department is different from a financial institution's trust department because the latter is a separate fiduciary entity that is regulated by law.

5. The term "agent" means that a person or firm is empowered to act for another. To determine whether a custodian is an agent of the university (functions to protect the rights of the university in the securities), the following factors should be considered:

   a. Authority to release securities (primary evidence): The primary evidence is that a securities custodian (1) will have the power to release securities based solely on the authorization given by the university and (2) will not have the power to release the securities without the authorization by the university.

   b. Process of selecting custodian (additional evidence): Additional evidence of an agency relationship is that the university selects the custodian. Nonetheless, an agent chosen by another party could still be considered the university's agent.

   c. Existence of written evidence (additional evidence): Additional evidence arises when there is a written agreement between the two parties. The absence of written evidence does not preclude the existence of an agency relationship; however, the duties and responsibilities of the other party would have to be closely examined to determine whether an agency relationship exists with the governmental entity.

K. **Presentation of Bond Payable Information** - Much of the descriptive information on bonds are disclosed in Schedule D-1 (Schedule of Bonds Payable and Debt Service Requirements). The Notes to the Financial Statements, (Notes 5, 6, and 7) should at least provide a description of each issue outstanding that has a distinct purpose and include the following:

1. **Bonds Payable** – When presenting general information relating to bonds payable in the Notes to the Financial Statements, the sample format shown below should be used by all institutions.

   General information related to bonds payable is summarized below:

   a. Bond Issue Name, Series 19XX

   b. Purpose of bond issue (e.g. to construct a student demonstration building).

   c. Original amount of issue

   d. Issued (mm-dd-yy)

   e. Type of bond (general obligation, revenue, etc.)

   f. Disclose bonds authorized, but not issued as of the balance sheet date ($xx,xxx,xxx authorized, $xx,xxx,xxx issued) If all authorized have been issued, disclose the total amount authorized and issued. ($xx,xxx,xxx; all authorized bonds have been issued.)

   g. Maturity date range

   h. Change in debt

   I. Debt service requirement

   j. Source of revenue for debt service – General Fees, Department of Education annual interest grant.

   k. Outstanding Balance by Bond Issue

Note, this is the prescribed format that each institution should use for *each bond issue* or variable rate note. *Avoid lengthy paragraph formats*. The extra information provided by paragraph formats is too time consuming to analyze.

Each bond issue should continue to have the same issue description (as recorded in the Official Statement) annually until, and

including, the year in which it is extinguished or retired.

2. **Refunding Bonds** – With the issuance of GASB Statement 7, "Advance Refundings Resulting in Defeasance of Debt," the following disclosure should be added to the bond information presented in the Notes to the Financial Statements.

   a. Describe the refunding transaction and include the following:

      - Amount of bonds issued.
      - Amount of bonds to be refunded.
      - Type of bonds to be refunded.
      - Net proceeds of the issue (disclose
      - Any additional amounts contributed to pay the debt service requirements
      - Disposition of the funds used to pay the debt service requirements on the defeased bonds

   b. Explain the difference between the cash flow required to service the old debt and the cash flow required to service the new debt and to complete the refunding.

   c. Disclose the economic gain or loss resulting from the transaction.

3. **Defeased Bonds** – should be disclosed in the Notes until the issue has been completely retired, even though the liability has been removed from the appropriate plant fund group. The information required includes: a description of the defeased bond, e.g. Veterans Lands Bonds-Division E; the calendar year the bond was refunded; and the par value outstanding at the balance sheet date. See Chapter 9, Note 5 for a sample format.

4. **Schedule of Pledged Revenues for Revenue Bonds** – An illustration of a schedule of pledged revenues for revenue bonds is presented in Chapter 10, Statements and Schedules. This information should be presented in your report as a supplemental schedule (D-2).

L. **Auxiliary Enterprise Property, Plant and Equipment** – Auxiliary Enterprises is shown in a separate column under current funds on Exhibits A, B & C. This does not mean property, plant, and equipment used in auxiliary enterprises activities should be listed here. The appropriate amounts should be shown in Plant Fund under Investment in Plant.

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The following Reports and Schedules are required:

1. Report on General-Purpose Financial Statements (Inserted before the Balance Sheet)
2. Compliance Report–Based on an Audit of General-Purpose or Basic Financial Statements Performed in Accordance with Government Auditing Standards
3. Report on the Internal Control Structure Based on an Audit of the General-Purpose Financial Statements Performed in Accordance with Government Auditing Standards
4. Report on Supplementary Schedule of Federal Financial Assistance (Inserted before the Schedule of Federal Financial Assistance)
5. Report on Internal Control Structure Used in Administering Federal Financial Assistance Programs
6. Single Audit Report on Compliance With the General Requirements Applicable to Federal Financial Assistance Programs
7. Single Audit Opinion on Compliance With Specific Requirements Applicable to Major Federal Financial Assistance Programs
8. Single Audit Report on Compliance With Requirements Applicable to Non-major Federal Financial Assistance Program Transactions
9. Report on Fraud, Abuse, or Illegal Acts (Only when observed)
10. Schedule of Findings and Questioned Costs

The independent auditor should follow the pronouncements of the American Institute of Certified Public Accountants. (Statement of Position 92-7 or subsequent pronouncements).

CHAPTER 8

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

CHAPTER 8

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

A. Introduction

The Single Audit Act (PL 98-502) establishes the financial and compliance audit requirements for all state and local government entities which receive federal financial assistance. Any such entity receiving more than $100,000 in federal financial assistance is required to have an audit in accordance with the act and regulations established by the Office of Management and Budget. Those entities which receive between $25,000 and $100,000 have the option to have an audit in accordance with the act and regulations or to comply with any audit requirements for each federal financial assistance program in which it participates. Entities receiving less than $25,000 are exempt from the audit requirements, but are required to maintain adequate records.

Each college that receives federal funds must prepare a Schedule of Federal Financial Assistance (D-3). The federal schedule reports total expenditures, including accruals (accounts payable), for all federal financial assistance by federal program.

Federal financial assistance is any assistance provided by a federal agency in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance or direct appropriations. The term does not include direct federal cash assistance to individuals.

See Chapter 10, Statements and Schedules for a sample schedule of federal financial assistance.

B. Federal Grantor/Pass-Through Grantor/ Program

1. List all federal programs under separate headings for each federal grantor agency. The federal programs should be identified by the program name as listed in the Catalog of Federal Domestic Assistance(CFDA) and should be in numerical sequence *Using the CFDA Number.*

2. Identify all federal program funds received under the heading "Direct Programs" or "Pass-Through From."

   a. Identify all federal program funds received directly from federal grantor agencies under the heading "Direct Programs."

   b. Identify program funds passed through to your college from another government agency as pass-through funds under the heading "Passed-Through From: Agency's Name".

3. Under the heading "Direct Programs" or "Pass-Through From," identify the application of the funds as follows:

   a. Identify program funds that are expended by the college under the column heading "Expenditures."

   b. Identify program funds passed through to a subrecipient under the heading "Pass-Through To," plus the entity's name.

4. Include all federal programs not assigned a CFDA number under the separate heading "Other Federal Assistance" and follow the same guidelines in this section. For each federal program, identify the *federal grantor* and *federal grantor number* followed by a period and three zeroes. For example, the U.S. Department of Transportation would be identified as 20.000. Refer to the List of Federal Grantor Numbers at the back of the Statements and Schedules Section. Follow the same guidelines in B.2 and B.3 of this section to report the source and application of each of the federal programs under "Other Federal Assistance."

C. Federal CFDA Number

1. Identify all federal financial assistance by Catalog of Federal Domestic Assistance (CFDA) name and number. *All CFDA numbers consist of five digits (no letters)* separated by a period between the second

and the third digit. The first two digits represent the federal grantor agency and the last three digits represent the specific grant. For example, the CFDA number of the Vocational Education program is 84.048, in which 84 stands for the U.S. Department of Education and 048 stands for the Vocational Education program. **Ensure that the most current CFDA program title and number are used to identify all federal financial assistance.** All grants that come under one CFDA program name can be reported as one line item. (The detailed information must be maintained by the agency.) However, each different type of pass-through must be reported on separate lines.

2. If the program name and number are not listed in the CFDA, and the grantor agency can not provide the information, list the program in a descriptive name on the schedule under the heading "Other Federal Assistance" and identify its grantor agency and grantor agency number (not a contract number) as explained in B.4 of this section, above.

3. The Department of Defense (DOD) funds that are not assigned with a CFDA number must be identified with the contract number assigned by the DOD. See Section D.4. of this chapter for the reporting of DOD funds.

D. Pass-Throughs

Pass-throughs are the federal funds "passed through" from one entity (recipient) to other entities (subrecipients) that administer the federal program on behalf of the state. If a transaction is not a pass-through, it is an expenditure. *There are no exceptions.* Pass-throughs should also include accruals.

1. Recipients

The recipient, which is the entity that passes the funds through to the subrecipient, will report these transactions on the federal schedule as "Pass-Through To."

If, at year-end, recipient colleges are holding material amounts of funds to be passed-through to others, these should be reported in Agency Funds since they are not assets of the recipient. Immaterial amounts may be reported as assets and current liabilities in restricted Funds. Funds passed through to others will not be reported as revenues or expenditures on Exhibit C. They also should not be reported on Exhibit B. **Funds passed through to others will be a reconciling item on the federal schedule reconciliation. (Note 1)**

The recipient must inform the subrecipient that the funds they are receiving are federal funds and providing the correct CFDA name and number.

2. Subrecipients

A subrecipient is defined by OMB Circular A-128 as any person or government department, agency or establishment that receives federal financial assistance from a state entity or any other entity to administer a program.

The subrecipient actually administers or controls the program as opposed to the subcontractor who contracts for a specific service on a per unit basis. A key factor in determining the subrecipient is determining if the entity assumed the responsibility to administer the program. Procurement contracts with the federal government or with a state entity or any other entity, in which goods or services are provided by a public community and junior college are not considered to be federal financial assistance because, the college is performing a service, not administering the program. Therefore, procurement contracts should not be included on the federal schedule by the performing college. Revenue received under a procurement contract is not Federal Contract and Grant revenue; generally, it should be reported as Sales and Services on Exhibit C.

The subrecipient should include its expenditures of the pass-through funds received from recipients as expenditures on the federal schedule and should include the same amount in federal revenue on Exhibit C. A reconciliation which ties the total federal revenues in Exhibit C to total federal expenditures and pass-through funds on the federal schedule should be included in the

"notes" to the federal schedule. Pass-through funds should not be reported as state revenues and expenditures, but as federal by a subrecipient. This affects the Schedule of Changes in Fund Balance of Restricted Funds, Exhibit C, and the federal schedule.

It is the responsibility of the subrecipient to request all information from the recipient if it has not been provided, and the subrecipient is aware that the funds received are federal funds.

3. **Recipient vs Subrecipient**

The following example illustrates the role of the recipient versus the subrecipient:

Entity X retains the ultimate authority and responsibility for operational results of federal program ABC. The objective of the program is to provide job training to people currently on welfare. Entity X establishes the man-hour budget and assigns the staff responsible for the work.

Entity Y is responsible for the first line management of program ABC. Entity Y is in charge of coordinating, planning, assigning specific tasks to the staff and monitoring the daily activities of the program based on established administrative controls.

In this example, Entity X is the recipient and Entity Y is the subrecipient. Although Entity X has the ultimate responsibility of assuring that the pass-through funds are spent according to the program guidelines, Entity Y administers and controls the day-to-day operations in accordance with the guidelines.

4. **Expenditures**

Expenditures are the federal funds expended in administering federal programs. Payments to subcontractors are expenditures and should be distinguished from pass-through funds to subrecipients. (See discussion above.)

Specific Conditions

The following items require special attention when determining expenditures for the federal schedule. These are also items that should be included in the reconciliation of the federal revenue (federal grant and contract revenue and federal appropriations revenues) in Exhibit C to federal expenditures and pass-through funds (see Note 2).

- *Expenditures from federal assistance that are not subject to an A-128 audit are not reported as expenditures on the federal schedule.* **Because these expenditures are included in the financial statements, include a note explaining why the expenditures are not in the federal schedule.**

  Funds from the U.S. Department of Defense (DOD), are to be subject to OMB Circular A-128 and should be reported on the federal schedule just like other federal funds. Those DOD funds will not be a reconciling item for the reconciliation in Note 2. DOD funds that are not assigned with a CFDA number must be identified with the contract number assigned by the DOD. You may disclose the DOD contract names, numbers and amounts in a supplement to the annual financial report if such disclosure requires extra pages in the federal schedule.

- Student Financial Assistance Programs provide low-interest loans or guaranteed loans to eligible needy students for educational purposes at Texas colleges and universities. The programs reported in the federal schedule include the Federal Family Education Loan Program; Federal Perkins Loan Program; Health Professions Student Loans; Health Professions Educational Initiatives; and Nursing Student Loans.

  The amounts reported in the federal schedule should include, *as separate*

line items, the dollar value of new loans processed during the fiscal year as well as any administrative costs recovered from the federal government.

The amount of the new loans processed from the federal government during the fiscal year is not reported on Exhibit C. New loans processed are reported as an increase (loans receivable) and decrease (disbursement of cash) of the asset accounts on the balance sheet. Consistent with this treatment and in order to provided disclosure on this schedule new loans processed and any administrative costs recovered should be reported in Note 2. These items will no longer be a reconciling item for the reconciliation in Note 1.

- *Net difference between unrestricted current funds federal appropriations revenue and the expenditure of current funds federal appropriations*
  – Certain institutions receive unrestricted federal appropriations for current operations by federal legislative acts. These unrestricted federal appropriations are recognized as revenue on Exhibit C when received or made available to the institution. The federal schedule should only include the actual expenditure of these appropriations.

  Therefore, there should be a reconciling item on the reconciliation in Note 1 for the net difference between unrestricted current funds federal appropriation revenue and the expenditure of current funds federal appropriations.

5. Indirect Costs

Indirect costs are administrative costs and all other such costs related to the administration of a federal program which are not direct costs of the program.

Indirect cost recoveries on federal grants, contracts, and agreements should be reported as Unrestricted Current Funds Revenue (Federal Grants and Contracts) on Exhibit C and as Other Deductions from Restricted Funds on Exhibit B rather than as expenditures. Also, any unexpended portion, including both direct and indirect costs, of a federal contract that is awarded on a fixed cost basis should be reported as unrestricted revenue on Exhibit C and included as expenditures on the federal schedule. Therefore, in either of these instances, there should be no reconciling items between Exhibit C and the Federal Schedule's Note 2.

Indirect costs which are reimbursed with federal funds are federal expenditures and should be included in total expenditures on the federal schedule for each federal program. Those indirect costs which are related to a federal program but not reimbursed with federal funds are not federal expenditures and should not be reported on the federal schedule.

Example:

Entity X administers federal program ABC. Total direct costs for the program are $100,000 and the indirect costs are $10,000. The contract states that the federal government will pay Entity X 80 percent of the indirect cost related to the program. The remaining 20 percent will be paid by the state.

Entity X will report $108,000 total federal expenditures for program ABC. The $2,000 of indirect costs to be paid by the state are not federal expenditures and are not reflected on the federal schedule.

E. Notes

The following notes are required to follow the institution's federal schedule.

These notes pertain only to the federal schedule and should not be included with the notes to the financial statements.

Note 1 Reconciliation

A formal reconciliation tying the total Current Funds's Federal Grants and Contracts revenue and Federal Appropriations revenue on Exhibit C to total expenditures and pass-through funds on the federal schedule is required.

Total Federal Grants and Contracts revenue and Federal Appropriations revenue on Exhibit C, plus/minus the reconciling items should tie to total expenditures and pass-through on the federal schedule.

The following reconciling item classifications may be necessary:

- Funds passed through to others.
- Nonmonetary – food stamps.
- Nonmonetary – commodities.
- Expenditures not included on the federal schedule because they are not subject to an A-128 audit.
- Net difference between unrestricted current funds federal appropriations revenue and the expenditure of current funds federal appropriation (applicable only to institutions with unrestricted current funds federal appropriations revenue).
- Interest subsidy or construction grants that are recorded directly in Retirement of Indebtedness or Unexpended Plant Funds.

If these classifications do not match all the reconciling items, make sure all revenues and expenditures are reported correctly:

- Funds collected but not expended should be reported as deferred revenues.
- Subrecipients should include expenditures of pass-through funds as expenditures on the federal schedule.
- Classifications of federal funds as prior year adjustments and/or changes in fund balance indicate errors were made in recording federal funds. Correct these items prior to preparing the federal schedule to ensure that federal revenues and expenditures are reported in the appropriate fiscal year.
- Earned federal funds should not be a reconciling item.

Note 2 Expenditures Not Subject to an A-128 Audit

This note describes federal funds not subject to an A-128 audit. These funds are reported on the financial statements but are not reported on the federal schedule. Thus, they will be a reconciling item in Note 2.

Include the following information in the note:

- Name of federal grantor agency.
- CFDA name and number.
- (Dollar amount) of expenditures for the fiscal year.
- Reason the program is not subject to audits under A-128.

Note 3 Student Loans

The total amount of loans disbursed to students under the various student loan programs should be reported in this note.

- Federal Family Education Loan Program
- Federal Perkins Loan Program.
- Health Professions Student Loans.
- Health Professions Educational Initiatives.
- Nursing Student Loans.

The following information must be included in the note:

- Name of granting federal agency.
- Catalog of Federal Domestic Assistance (CFDA) program name.
- CFDA number.

- Total new loans processed for each program.
- Total administrative costs recovered from program.

Note 4 Nonmonetary Assistance

Nonmonetary federal assistance received during the current fiscal year should be reported in this note. Include the following:

- CFDA name and number.
- (Dollar amount) of all nonmonetary federal assistance (federally assigned value).
- Federal agency from which the assistance was received.
- If pass-through funds, include the name of the other entity from which the assistance was received.

F. Special Problem Areas

1. Unexpended vs Expended Federal Funds

Any federal funds received in a fiscal year in which they are not expended should be reported as Additions to Fund Balance on Exhibit B in that fiscal year.

Contracts and grants *for which money has not been received but* from which *expenditures have been made* should be reported as a receivable on Exhibit A. These expenditures should be reported on the federal schedule.

2. Refunds To Grantors

Refunds to grantors are not federal revenues or federal expenditures and should not appear on the federal schedule or in the reconciliation.

3. Disallowed Prior Year Costs

Sometimes prior year costs are determined to be disallowed by the federal government and need to be refunded by cash or by means of a reduction in current year draws. In either case, the disallowed prior year costs should be netted against current year revenue on Exhibit C and current year expenditures on the federal schedule. These costs will not be a reconciling item for the reconciliation Note 1.

4. Contingent Liabilities

Recipients of Federal Financial Assistance who pass-through funds to subrecipients are required by Office of Management and Budget Circular A-128 to determine if the results of subrecipient audits necessitate adjustment of the recipient's own records. To comply with this requirement, recipients should prepare a listing of its subrecipient's questioned costs to determine if they may have a material impact on the recipient's financial statements on the fund level or federal program level. If the magnitude and nature of the subrecipient's questioned costs indicate a possible material impact on the recipient's financial statements on the fund level or federal program level, this should be disclosed in the recipient's Notes to the Financial Statements (not in the notes to the federal schedule).

If ultimate resolution of questioned costs indicated that material refunds are owed to the federal government, appropriate adjustment of the financial statements (exhibits) should be made and fully disclosed in the Notes to the Financial Statements.

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LIST OF FEDERAL GRANTOR NUMBERS
(Sorted By Federal Grantors)

FEDERAL GRANTOR	FEDERAL GRANTOR NUMBER
Action	72
Agriculture, Department of	10
Appalachian Regional Commission	23
Architectural and Transportation Barriers Compliance Board (ATBCB)	88
Commerce, Department of	11
Commission on Civil Rights	29
Commission on the Bicentennial of the U.S. Constitution	90
Commodity Futures Trading Commission (CFTC)	78
Defense, Department of	12
Education, Department of	84
Energy, Department of (DOE)	81
Environmental Protection Agency	66
Equal Employment Opportunity Commission (EEOC)	30
Federal Communication Commission (FCC)	32
Federal Emergency Management Agency	83
Federal Maritime Commission (FMC)	33
Federal Mediation and Conciliation Service (FMCS)	34
Federal Trade Commission (FTC)	36
General Services Administration (GSC)	39
Government Printing Office (GPO)	40
Harry S. Truman Scholarship Foundation	85
Health and Human Services, Department of (13 should be dormant)	13 or 93
Housing and Urban Development, Department of	14
Interior, Department of the	15
International Trade Commission (ITC)	61
Interstate Commerce Commission (ICC)	41
Justice, Department of	16
Labor, Department of	17
Library of Congress	42
National Aeronautics and Space Administration (NASA)	43
National Archives and Records Administration (NARA)	89
National Credit Union Administration (NCUA)	44
National Foundation on the Arts and the Humanities	45
National Gallery of Art (NGA)	68
National Labor Relations Board (NLRB)	46
National Science Foundation (NSF)	47
Nuclear Regulatory Commission (NRC)	77
Office of Personnel Management	27
Overseas Private Investment Corporation (OPIC)	70
Pension Benefit Guaranty Corporation (PBGC)	86
President's Committee on Employment of People with Disabilities	53
Railroad Retirement Board	57
Securities and Exchange Commission (SEC)	58
Small Business Administration (SBA)	59
State, Department of	19
Tennessee Valley Authority (TVA)	62
Transportation, Department of	20
Treasury, Department of the	21
United States Information Agency (USIA)	82
Veterans Health Services and Research Administration	64

LIST OF FEDERAL GRANTOR NUMBERS
(Sorted By Federal Grantor Numbers)

FEDERAL GRANTOR NUMBER	FEDERAL GRANTOR
10	Agriculture, Department of
11	Commerce, Department of
12	Defense, Department of
13 or 93	Health and Human Services, Department of (13 should be dormant)
14	Housing and Urban Development, Department of
15	Interior, Department of the
16	Justice, Department of
17	Labor, Department of
19	State, Department of
20	Transportation, Department of
21	Treasury, Department of the
23	Appalachian Regional Commission
27	Office of Personnel Management
29	Commission on Civil Rights
30	Equal Employment Opportunity Commission (EEOC)
32	Federal Communication Commission (FCC)
33	Federal Maritime Commission (FMC)
34	Federal Mediation and Conciliation Service (FMCS)
36	Federal Trade Commission (FTC)
39	General Services Administration (GSA)
40	Government Printing Office (GPO)
41	Interstate Commerce Commission (ICC)
42	Library of Congress
43	National Aeronautics and Space Administration (NASA)
44	National Credit Union Administration (NCUA)
45	National Foundation on the Arts and the Humanities
46	National Labor Relations Board (NLRB)
47	National Science Foundation (NSF)
53	President's Committee on Employment of People with Disabilities
57	Railroad Retirement Board
58	Securities and Exchange Commission (SEC)
59	Small Business Administration (SBA)
61	International Trade Commission (ITC)
62	Tennessee Valley Authority (TVA)
64	Veterans Health Services and Research Administration
66	Environmental Protection Agency
68	National Gallery of Art (NGA)
70	Overseas private Investment Corporation (OPIC)
72	Action
77	Nuclear Regulatory Commission (NRC)
78	Commodity Futures Trading Commission (CFTC)
81	Energy, Department of (DOE)
82	United State Information Agency (USIA)
83	Federal Emergency Management Agency
84	Education, Department of
85	Harry S. Truman Scholarship Foundation
86	Pension Benefit Guaranty Corporation (PBGC)
88	Architectural and Transportation Barriers Compliance Board (ATBCB)
89	National Archives and Records Administration (NARA)
90	Commission on the Bicentennial of the U.S. Constitution
93 or 13	Health and Human Services, Department of (13 should be dormant)

CHAPTER 9

NOTES TO THE

FINANCIAL STATEMENTS

CHAPTER 9

NOTES TO THE FINANCIAL STATEMENTS

1. **Reporting Entity**

Public Community College (PCC) was established in 1962, in accordance with the laws of the State of Texas, to serve the educational needs of Public and the surrounding communities. The Public Community College District (PCCD) is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14. While the College receives funding from local, state, and federal sources, and must comply with the spending, reporting, and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

2. **Summary of Significant Accounting Policies**

Report Guidelines

The significant accounting policies followed by PCCD in preparing these financial statements are in accordance with the Texas Higher Education Coordinating Board's Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges. These requirements are in substantial conformity with, the AICPA Industry Audit Guide, *Audits of Colleges and Universities*, as amended by AICPA Statement of Position (SOP) 74-8, *Financial Accounting and Reporting by Colleges and Universities*, and as modified by applicable FASB pronouncements issued through November 30, 1989, and as modified by all applicable GASB pronouncements cited in Codification Section Co5, "Colleges and Universities."

Basis of Accounting

The financial statements of Public Community College have been prepared on the accrual basis of accounting except depreciation expenses related to plant fund assets is not recorded. The Statement of Current Fund Revenues, Expenditures and Other Changes is a statement of financial activities of current funds related to the reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

Encumbrance Accounting, under which purchase orders, contracts, and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the Current Funds. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. Encumbrances outstanding at year end that were provided for in the subsequent year's budget are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

Inventories, consisting of consumable office supplies, physical plant supplies, book store stock, and food service supplies, are valued at the lower of: cost under the "first-in, first-out" method. or market.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of equipment, library holdings, and livestock; (2) mandatory transfers in the case of required provisions for debt amortization and interest and equipment renewal and replacement; and (3) transfers of a non-mandatory nature for all other cases.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of the resources available to the college, accounts are maintained in accordance with the principles of "fund accounting." Resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. Separate accounts are maintained for each fund; however, in the

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accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are distinguished from unrestricted funds allocated to specific purposes by action of the governing board. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

Endowment and Similar Funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and only the income be utilized. Term endowment funds are similar to other endowment funds, except that all or part of the principal may be utilized after a stated period of time or upon the occurrence of a certain event. Funds functioning as endowments are funds that the governing board has approved to be used as endowments.

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund which owned the assets. Ordinary income derived from investments, receivables, and other sources is accounted for in the fund owning such assets, except for income derived from investment of Endowment and Similar Funds. That income is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in unrestricted current funds.

All other unrestricted revenue is accounted for in the appropriate unrestricted fund. Restricted gifts, grants, appropriation, endowment income, and other restricted resources are accounted for in the appropriate restricted funds. Restricted Current Funds are reported as revenues and expenditures when expended for current operating purposes. Contract and grant awards for the current reporting period are shown as additions to fund balances in Restricted Current Funds.

If the college is depreciating their capital assets, the depreciation method should be disclosed and the statement regarding depreciation under the Basis of Accounting should be changed.

The different fund groups used at Public Community College are as follows:

Current Funds

Funds available for current operating and maintenance purposes as well as those restricted by donors and other outside agencies for specific operating purposes. Current funds are segregated into separate balanced fund groups:

Unrestricted Current Funds - Funds received by an institution that have no limitations or stipulations placed on them by external agencies or donors. The funds are used for carrying out the primary purpose of an institution, i.e. educational, research, extension and administration.

Auxiliary Enterprises - Funds for activities that serve students, faculty, or staff for charges that are directly related to, although not necessarily equal to, the cost of the service. Examples are residence halls, food services and book stores.

Restricted Current Funds - Funds available for current purposes, but with restrictions from outside agencies or persons. Revenues are reported only to the extent of expenditures for the current year.

Loan Funds

Funds available for loans to students, faculty and staff.

Endowment and Similar Funds

Funds subject to restrictions of endowment and trust instruments requiring that principal be maintained and that only the income be spent.

Annuity and Life Income Funds

The Annuity Funds group consists of funds donated to an institution on the condition that the institution pay a stipulated amount of the funds to the donor or designated individual for a specified time or until the time of death of the annuitant. The Life Income funds group consists of funds contributed to an institution subject to the requirement that the institution periodically pay the income earned on the assets (less management expenses) to designated beneficiaries.

Plant Funds

Plant funds are divided into these separate balanced fund groups:

Unexpended - Funds for the construction, rehabilitation, and acquisition of physical properties for institutional purposes.

Renewals and Replacements - Funds accumulated for the renewal and replacement of physical plant properties.

Retirement of Indebtedness - Funds accumulated to meet debt service charges and the retirement of indebtedness.

Investment in Plant - Funds already expended for plant properties. Physical properties are stated at cost at date of acquisition or fair market value at date of donation for gifts and fair market value at August 31, 19XX for livestock. Depreciation on physical plant and equipment is not recorded.

Agency Funds

Funds held by the college as custodial or fiscal agent for students, faculty members, and/or others.

Memorandum Totals

The Balance Sheet in columnar form, the Statement of Changes in Fund Balances, and the Statement of Current Funds Revenues, Expenditures and Other Changes are shown with memorandum totals for the current and prior years. Interfund borrowing has not been eliminated, but has been off-set in the assets and liability sections. The memorandum totals are presented only to facilitate financial analysis and do not purport to present financial position, in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

3. Authorized Investments

The Board of Trustees of Public Community College has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act of 1995 (Chapter 2256, Texas Government Code). The investments of the college are in compliance with the Trustees' investment policies.

4. Deposits and Investments

At August 31, 19XX, the carrying amount of Public Community College's deposits was ($XXX,XXX), and total bank balances equaled ($XXX,XXX). Bank balances of ($XXX,XXX) are covered by federal depository insurance and ($XXX,XXX) was covered by collateral pledged in Public Community College's name. The collateral was held by Public Community College or by its agent (Category 1). Bank balances totaling ($XXX,XXX) were collateralized with securities held by the pledging financial institution's trust department or agent in Public Community College's name (Category 2). Bank balances in the amount of ($XXX,XXX) were uncollateralized at fiscal year end (Category 3). (This includes any bank balance that was collateralized with securities held by the pledging financial institution's department or agent but not in Public Community College's name).

Note: the above descriptions are examples of acceptable narrative format for describing categories of risk for deposits. Not all institutions will have deposits included in all three categories and each should adapt its disclosure accordingly. However, the narrative should explicitly identify the category or categories of the deposits being described as indicated above. Cash and Deposits include as reported on Exhibit A, Balance Sheet, consist of the items reported below.

Cash and Deposits

Bank Deposits	
Demand Deposits	$xxx,xxx
Time Deposits	xxx,xxx
	xxx,xxx
Cash and Cash Equivalents	
Petty Cash on Hand	$xxx,xxx
Reimbursements in Transit	xxx,xxx
	xxx,xxx
Total Cash and Deposits	$xxx,xxx

To comply with the reporting requirements of GASB Statement No. 3, *Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, Public Community Colleges's investments are categorized under "Investment Categories" to give an indication of credit risk assumed by Public Junior College at year end. Credit risk is the risk that another party to a deposit or investment transaction will not fulfill its obligations. This is not to be confused with market risk, which is the risk that the market value of an investment, collateral protecting a deposit, or securities underlying a repurchase agreement will decline. Market risk is not depicted in this note.

The following categories of credit risk are included:

Category 1: Investments that are insured or registered or for which the securities are held by the institution or its agent in the institution's name.

Category 2: Uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the institution's name.

Category 3: Uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the institution's name.

The categories above may not apply to all types of investments. In general, investments in pools managed by other governments or in mutual funds or investments in real estate should be disclosed but not categorized because they are not evidenced by securities that exist in physical or book entry form.

Securities underlying reverse repurchase agreements should also be disclosed but not categorized because they are held by the buyer-lender.

Investment Categories

Type of Security	Category 1	2	3	Carrying Amount	Market Value
US Government securities	$xxx,xxx	$	$	$xxx,xxx	$xxx,xxx
Real Estate Mortgages and Other Notes	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx
Corporate Bonds	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx
Repurchase Agreements	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx
TOTALS	$xxx,xxx	$xxx,xxx	$xxx,xxx	$xxx,xxx	$xxx,xxx

Investments held by broker-dealers under reverse repurchase agreements:

U.S. Government Securities	$xxx,xxx	$xxx,xxx
U.S. Instrumentality Securities	xxx,xxx	xxx,xxx
Real Estate Investments	xxx,xxx	xxx,xxx
Total Investments	$xxx,xxx	$xxx,xxx
Consisting of the following:		
Temporary Investments	$xxx,xxx	$xxx,xxx
Long Term Investments (Exh. A)	xxx,xxx	xxx,xxx
Total, as above	$xxx,xxx	$xxx,xxx

5. **Derivatives**

Interest in derivative products has increased in recent years. Derivatives are investment products which may be a security or contract which derives its value from another security, currency, commodity or index, regardless of the source of funds used. The following information must be provided if the community college has made investments in derivatives:

Provide a description of the product and report the carrying value, the market amount, source of funds, net gain or loss from the investment, if the entire investment has a potential to be lost and a maximum amount that could be lost (can it exceed the carrying amount ?)

Example of footnote:

The community college has invested in a real estate derivative that matures on 09/01/1997. This has a moderate amount of risk.

Book Value	Market Value	Source of Funds	Gain/Loss	Can Carrying Amount be Lost ?	Maximum loss
$70,000	$71,000	General	$1,000	Yes	$70,000

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6. Bonds and Variable Rate Notes Payable

General information related to bonds payable is summarized below:

- Bond Issue Name, Series 19XX.
- To construct a student demonstration building.
- Issued (month-day-year).
- ($X,XXX,XXX); all authorized bonds have been issued.
- Source of revenue for debt service – general fees, Department of Education annual interest grant.
- Outstanding Balance by Bond Issue.

> **COMMENT**
>
> This is the prescribed format that each institution should use for *each bond issue* or variable rate note. Avoid paragraphs that are too brief or too lengthy. Each bond issue should continue to have the same issue description annually until, and including, the year in which it is extinguished or retired.

Bonds and variable rate notes payable are due in annual installments varying from ($XXX,XXX) to ($XXX,XXX) with interest rates from X.X percent to X.X percent with the final installment due in 20XX. The principal and interest expense requirements for the next five years and beyond is summarized below for bonds and variable rate notes issued.

Fiscal Year	Principal	Interest	Total	
1992		$xxx,xxx	$xxx,xxx	$xxx,xxx
1993		xxx,xxx	xxx,xxx	xxx,xxx
1994		xxx,xxx	xxx,xxx	xxx,xxx
1995		xxx,xxx	xxx,xxx	xxx,xxx
1996		xxx,xxx	xxx,xxx	xxx,xxx
Beyond Five Years		xxx,xxx	xxx,xxx	xxx,xxx
Total		$xxx,xxx	$xxx,xxx	$xxx,xxx

7. Advance Refunding Bonds

Refunded ($X,XXX,XXX) of Student Fee Revenue Bonds, Series 1987:

- Issued refunding bonds on (month-day-year).
- ($XX,XXX,XXX), all authorized bond have been issued.
- General Obligation Bonds – Refunding Series 19XX.
- Average interest rate of bonds refunded – (X.X %).
- Net proceeds from Refunding Series – ($XXX,XXX); after payment of ($X,XXX,XXX) in underwriting fees, insurance, and other issuance costs.

- Additional ($XXX,XXX) of 19XX Series sinking fund monies was used to purchase U.S. Government securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the 19XX Series bonds.
- The 19XX Series bonds are considered fully defeased and the liability for those bonds has been removed from the Investment in Plant fund group.
- Advance refunding of the 19XX Series bonds reduced the university's debt service payments over the next 20 years by approximately ($XXX,XXX).
- Economic Gain – ($XXX,XXX) difference between the net present value of the old and new debt service payments.
- Accounting Gain – ($XXX,XXX) accounting gain was resulted from the advanced refunding.

8. Defeased Bonds Outstanding

Bond Issue	Year Refunded	Par Value Outstanding
Revenue bonds Series 19xx	1985	$xxx,xxx
Revenue bonds Series 19xx	1988	$xxx,xxx
Revenue bonds Series 19xx	1987	$xxx,xxx
Total		$xxx,xxx

(Year refunded for defeased bonds should be designated by calendar year).

9. Employees' Retirement Plan

The State of Texas has joint contributory retirement plans for almost all its employees. One of the primary plans in which the college participates is administered by the Teacher Retirement System of Texas. The percentages of participant salaries currently contributed by the state and by each participant are (x.xx%) and (x.xx%) respectively, of annual compensation.

The Teacher Retirement System does not separately account for each of its component government agencies, because it bears sole responsibility for retirement commitments beyond contributions fixed by the Legislature. According to an independent actuarial evaluation as of August 31, (year), the present value of the retirement system's actual and projected liabilities, including projected benefits payable to its retirees and active members and their beneficiaries, was in excess of the assets of the retirement system. However, the actuary projected that such assets, augmented by projected future contributions and earnings, would be sufficient to amortize the unfunded difference over a period of 30 years assuming payroll growth of 6%. Further information regarding actuarial assumptions and conclusions, as well as audited financial statements, are included in the retirement system's annual financial report.

The state has also established an optional retirement program for institutions of higher education. Participation in the optional retirement program is in lieu of participation in the Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts. The percentages of participant salaries currently contributed by the state and each participant are (x.xx%) and (x.xx%), respectively. Since these are individual annuity contracts, the state has no additional or unfunded liability for this program.

The retirement expense to the state for the college was ($x,xxx,xxx) for the fiscal year ended August 31, 19xx. This amount represents the portion of expended appropriations made by the state Legislature on behalf of the college.

This note may vary by college but should be in accordance with GASB statement No. 5.

10. Deferred Compensation Program

College employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Senate Bill No. 872 of the 63rd Legislature. As of August 31, 19xx, the college had (number) employees participating in the program. A total of ($xxx,xxx) in payroll deductions had been invested in approved plans during the fiscal year, bringing the total of deferred salaries of current employees to ($xxx,xxx) since the inception of the program.

11. Compensated Absences

Full-time employees earn annual leave from (number) to (number) hours per month depending on the (number) of years employed with the college. The college district's policy is that an employee may carry his accrued leave forward from one fiscal year to another fiscal year with a maximum number of hours up to (number) for those employees with (number) or more years of service. Employees with at least six months of service who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed. The college recognized the accrued liability for the unpaid annual leave in the Unrestricted Current Fund. Sick leave, which can be accumulated without limit, is earned at the rate of (number) hours per month. It is paid to an employee who misses work because of illness or to the estate of an employee in the event of his/her death. The maximum sick leave that may be paid an employee's estate is one-half of the employee's accumulated entitlement or (number) hours, whichever is less. The college's policy is to recognize the cost of sick leave when paid. The liability is not shown in the financial statements since experience indicates the expenditure for sick leave to be minimal.

This note may vary by college.

12. Pending Lawsuits and Claims

On August 31, 19XX, various lawsuits and claims involving Public Community College were pending. While the ultimate liability with respect to litigation and other claims asserted against the college cannot be reasonably estimated at this time, this liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the college.

This footnote does not assume that every lawsuit or claim is immaterial. Each audit firm should test each case and in the event it is material, this footnote would be revised.

13. Capital Lease Obligations

Certain leases to finance the purchase of equipment are capitalized at the present value of future minimum lease payments. The original capitalized cost of all such property (use a table format if more than one category of property is under capital lease) under capital lease as of August 31, 19XX is as follows:

Table A

Class of Property	Amount
Land	$xxx,xxx
Building	xxx,xxx
Furniture and Equipment	xxx,xxx
Vehicles, Boats and Aircraft	xxx,xxx
	$xxx,xxx

The following is a schedule of the future minimum lease payments for leased property and the present value of the net minimum lease payments at August 31, 19XX.

Minimum Lease Payments for:

1992	$xxx,xxx
1993	xxx,xxx
1994	xxx,xxx
1995	xxx,xxx
1996	xxx,xxx
1997 and beyond	xxx,xxx
Less: Interest	(xxx,xxx)
Present Value of Net Minimum Lease Payments	$xxx,xxx

14. Operating Lease Commitments and Rental Agreement

Included in current expenditures are the following amounts of rent paid or due under operating leases.

	Year Ended August 31,	
Fund Group	1990	1989
Unrestricted Current Funds	$xxx,xxx	$xxx,xxx
Restricted Current Funds (continue as needed)	xxx,xxx	xxx,xxx
Totals	$xxx,xxx	$xxx,xxx

For those operating leases having initial or remaining noncancellable lease terms in excess of one year, the disclosure should include the future minimum payments required as of the balance sheet date, both in the aggregate and for each of the five succeeding years.

Future, minimum lease rental payments under noncancellable operating leases having an initial term in excess of one year as of August 19XX are as follows: (Future minimum lease payments for 5 years and beyond should be disclosed.)

Table B

Year Ended	Minimum Future Lease Payments
1993	$xx,xxx
1994	xx,xxx
1995	xx,xxx
1996	xx,xxx
1997	xx,xxx
1998 and beyond	$xx,xxx

15. Funds Held in Trust by Others

The balances, or transactions, of funds held in trust by others on behalf of Public Community College are not reflected in the financial statements. At August 31, (year) there were six such funds for the benefit of the college. Based upon the most recent available information, the assets of these funds are reported by the trustees/regents at values totaling (dollar amount).

16. Contract and Grant Awards

Contract and grant awards are accounted for in accordance with the requirements of the AICPA Industry Audit Guide, *Audits of Colleges and Universities*. Funds received, but not expended during the reporting period, are shown as additions to fund balance on Exhibit B. Revenues are recognized on Exhibit C as funds are actually expended. For federal contract and grant awards, funds expended, but not collected, are reported as Federal Receivables on Exhibit A. Non-federal contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivable on Exhibit A. Contract and grant awards that are not yet funded and for which the institution has not yet performed services are not included in the financial statements. Contract and grant awards funds already committed, e.g. multi-year awards, or funds awarded during fiscal year 19XX for which monies have not been received nor funds expended totalled ($xx,xxx). Of this amount, ($xx,xxx) was from Federal Contract and Grant Awards, ($xx,xxx) was from State Contract and Grant Awards, ($xx,xxx) from Local Contract and Grant Awards and ($xx,xxx) from Private Contract and Grant Awards.

17. Self-Insured Plans

The college has various self-insured arrangements for coverage in the areas of employee health insurance, workers' compensation, unemployment compensation, and medical malpractice. Employee health and medical malpractice plans are funded. (Detail may be provided on how they are funded.) Workers' compensation and unemployment compensation plans are on a pay-as-you-go basis, in which no assets are set aside. Accrued liabilities are generally based on actuarial valuation and represent the present value of unpaid expected claims. Estimated future payments for incurred claims are charged to current funds expenditures.

18. Post Retirement Health Care and Life Insurance Benefits

In addition to providing pension benefits, the state provides certain health care and life insurance benefits for retired employees. Almost all of the employees may become eligible for those benefits if they reach normal retirement age while working for the state. Those and similar benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums. The state's contribution per full-time employee was ($xxx.xx) per month for the year ended August 31, 19XX and totaled ($xxx,xxx) for the year. The cost of providing those benefits for (xxx) retirees was ($xx,xxx) and for (xxx) active employees was ($xxx,xxx).

Note: If the number of retirees and active employees and the cost for each group cannot be separated then the last sentence would be:

"The cost of providing those benefits for retirees is not separable from the cost of providing benefits for the active employees."

This note should be in accordance with GASB statement No. 13.

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19. Related Parties

The Public Junior College Foundation is a nonprofit organization with the sole purpose of supporting the educational and other activities of the college. The foundation solicits donations and acts as coordinator of gifts made by other parties. It remitted restricted gifts of ($xxx,xxx) and unrestricted gifts of ($xxx,xxx) to the college during the year ended August 31, 19XX. During the fiscal year the college furnished certain services, such as office space, utilities and some staff assistance, to the foundation for which the foundation reimbursed the college at cost for these services which totaled ($xx,xxx). Accounts Receivable of ($xx,xxx) from the foundation at August 31, 19XX are due and payable within 30 days from billing interest fee.

The Ex-Students Association provided services on behalf of the college for which the college paid ($xx,xxx) during the 19XX fiscal year. These services included maintaining records on the students who had graduated from the college. Office space and utilities were also provided to the association by the college.

If a college has a related party not listed, an appropriate footnote should be included describing the party.

20. Interfund Borrowing

All interfund borrowing has been made from unrestricted funds and is payable within one year without interest.

Interfund borrowing by fund and amount should be included in this footnote.

21. Property Tax

The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

The use of tax proceeds is restricted to either maintenance and operations or interest and sinking expenditures. Tax collections for the year ended August 31, 19XX were XX% of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes.

22. Deferred Revenues

Revenues, primarily consisting of tuition, fees, and housing charges, related to academic terms in the next fiscal year are recorded on the balance sheet as deferred revenue in the current fiscal year.

23. Budgetary Data

Each community college district in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for current operating funds for the fiscal year beginning September 1. The budget, which is prepared on the accrual basis of accounting, is adopted by the College's Board of Trustees. A copy of the approved budget must be filed with the Texas Higher Education Coordinating Board, Legislative Budget Board, and Legislative Reference Library.

24. Income Taxes

The College is exempt from income taxes under Internal Revenue Code Section 115, Income of States, Municipalities, Etc., although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511 (a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations. The college had no unrelated business income tax liability for the year ended August 31, 19XX.

25. Subsequent Events (as needed)

26. Prior Period Adjustments (as needed)

CHAPTER 10

STATEMENTS AND SCHEDULES

CHAPTER 10

STATEMENTS AND SCHEDULES

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PUBLIC JUNIOR COLLEGE DISTRICT

ORGANIZATIONAL DATA
For the Fiscal Year 19XX

Board of Trustees/Regents

Officers

Full Name	Board Title
Full Name	Board Title

Members

		Term Expires August 31
Full Name	City, State	19XX
Full Name	City, State	19XX
Full Name	City, State	19XX
Full Name	City, State	19XX
Full Name	City, State	19XX
Full Name	City, State	19XX
Full Name	City, State	19XX

Principal Administrative Officers

Full Name	President
Full Name	Vice President of Academic Affairs
Full Name	Vice President of Business Affairs
Full Name	Vice President of Development
Full Name	Vice President of Student Services
Full Name	Dean of Academic Instruction
Full Name	Dean of Vocational Education
Full Name	Controller

Independent Auditor's Report on General-Purpose or Basic Financial Statements

The independent auditor's report should precede the financial statements and the auditor should follow the pronouncements of the American Institute of Certified Public Accounts. (Statement of Position 92-7 or subsequent pronouncements).

PUBLIC COMMUNITY COLLEGE
EXHIBIT A
BALANCE SHEET
August 31, 1993
With Memorandum Totals at August 31, 1992

		CURRENT FUNDS				
	ASSETS	Unrestricted	Auxiliary Enterprises	Restricted	Total	Loan Funds
(1)	Cash and Cash Equivalents (Sch A-1)	$ 211,390	$ 37,305	$ 142,568	$ 391,263	$ 15,783
(2)	Short-Term Investments (Sch A-1)	1,386,812	0	62,384	1,449,196	0
(3)	Balance in State Appropriations				0	
(4)	Accounts Receivable (net of allowance for					
(5)	doubtful accounts of $109,000 both years)	809,619	575,095	75,414	1,460,128	
(6)	Taxes Receivable (net of allowance for doubtful					
(7)	accounts of $458,336 both years) (Sch C-4)	154,622			154,622	
(8)	Due From Other Funds	423,087			423,087	
(9)	Investments (Sch. A-1)	2,200,000	900,000	0	3,100,000	0
(10)	Accrued Interest Receivable				0	
(11)	Prepaid Expenses		30,000		30,000	
(12)	Deferred Charges	123,785	52,538		176,323	
(13)	Federal Receivables			243,496	243,496	
(14)	Deposits				0	
(15)	Notes Receivable (net of allowance for					
(16)	doubtful accounts of $190,318)				0	135,555
(17)	Bond Proceeds Receivable				0	
(18)	Consumable Inventories	22,358			22,358	
(19)	Inventories for Resale		33,285		33,285	
(20)	Land				0	
(21)	Buildings				0	
(22)	Improvements Other Than Buildings				0	
(23)	Equipment				0	
(24)	Library Books				0	
(25)	Museums and Art Collections				0	
(26)	Construction in Progress				0	
	Total Assets	$ 5,331,673	$ 1,628,223	$ 523,862	$ 7,483,758	$ 151,338
	LIABILITIES AND FUND BALANCES					
	Liabilities:					
(27)	Accounts Payable	$ 377,747	$ 214,288	$ 5,733	$ 597,748	$
(28)	Accrued Liabilities	356,908	1,180	2,080	360,168	
(29)	Deposits Payable	15,238	72,600		87,838	
(30)	Due To Other Funds		6,551	115,567	122,118	132,399
(31)	Deferred Revenues	2,420,349	618,608		3,038,957	
(32)	Accrued Compensable Absences Payable	212,745			212,745	
(33)	Bonds Payable (net of unamortized premium/					
(34)	discount of $XXX as of 8/31/XX) (Sch D-1)				0	
(35)	Notes and Loans Payable				0	
(36)	Lease-Purchase Agreements Payable				0	
(37)	Funds Held in Custody for Others				0	
	Total Liabilities	3,382,987	911,207	123,380	4,417,574	132,399
	Fund Balance:					
	Unrestricted					
	Reserved					
(38)	Encumbrances	$ 101,383	$ 4,094	$	$ 105,477	$
(39)	Accounts Receivable	809,619	575,095		1,384,714	
(40)	Inventory	22,358	33,285		55,643	
(41)	Prepaid Expenses		30,000		30,000	
(42)	Unreserved					
(43)	Designated					
(44)	Future Operating Budget(s)	1,000,000	48,542		1,048,542	
(45)	Capital Projects		25,000		25,000	
(46)	Other (detail as needed)				0	
(47)	Undesignated	15,328			15,328	
(48)	Restricted					
(49)	U.S. Government Grants Refundable				0	44,784
(50)	Institutional Matching Funds				0	4,373
(51)	Other			400,482	400,482	(30,198)
(52)	Net Investment in Plant				0	
	Total Fund Balances (Exh. B)	1,948,688	717,016	400,482	3,066,184	18,939
	Total Liabilities and Fund Balances	$ 5,331,675	$ 1,628,223	$ 523,862	$ 7,483,758	$ 151,338

See accompanying Notes to the Financial Statements.

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Endowment and Similar Funds	Annuity and Life Income Funds	PLANT FUNDS: Unexpended	PLANT FUNDS: Renewals and Replacements	PLANT FUNDS: Retirement of Indebtedness	PLANT FUNDS: Investment in Plant	Agency Funds	TOTALS MEMORANDUM ONLY: Current Year	TOTALS MEMORANDUM ONLY: Prior Year	
$ 0	$	$ 82,251	$	$ 0	$	$ 13,183	$ 502,480	$ 800,870	(1)
0		47,245		1,579,559		0	3,076,000	8,486,560	(2)
							0		(3)
									(4)
		1,458,105				1,054	2,919,287	1,813,940	(5)
									(6)
							154,822	162,843	(7)
		618,737					1,041,824	1,056,449	(8)
0	0	100,000	0	0		0	3,200,000		(9)
							0		(10)
							30,000	105,273	(11)
				141,126			317,449	495,857	(12)
							243,496	328,966	(13)
							0		(14)
									(15)
							135,555	137,415	(16)
							0		(17)
							22,358		(18)
							33,285		(19)
					1,285,851		1,285,851	1,285,851	(20)
					49,148,424		49,148,424	40,139,131	(21)
					2,189,291		2,189,291	2,037,991	(22)
					10,748,704		10,748,704	9,824,322	(23)
					544,488		544,488	544,488	(24)
							0		(25)
		1,358,020					1,358,020	5,029,123	(26)
$ 0	$ 0	$ 3,664,358	$ 0	$ 1,720,685	$ 63,892,558	$ 14,217	$ 76,926,914	$ 70,029,291	
$	$	$ 464,083	$	$	$	$	$ 1,081,811	$ 1,564,051	(27)
				158,580			518,728	508,997	(28)
							87,838	92,859	(29)
				787,307			1,041,824	1,056,449	(30)
							3,036,957	2,821,948	(31)
							212,745	187,984	(32)
									(33)
		3,000,000			18,015,000		21,015,000	18,980,000	(34)
		144,350					144,350	166,891	(35)
					69,916		69,916	269,120	(36)
						14,217	14,217	12,092	(37)
0	0	3,608,413	0	945,887	18,084,916	14,217	27,203,386	25,459,989	
$	$	$ 0	$	$ 0	$	$	$ 105,477	$	(38)
							1,384,714		(39)
							55,643		(40)
							30,000		(41)
									(42)
									(43)
							1,049,542		(44)
							25,000		(45)
							0		(46)
							15,326	318,732	(47)
									(48)
							44,784		(49)
							4,373		(50)
		55,945		774,818			1,201,047	4,887,107	(51)
					45,807,842		45,807,842	39,582,483	(52)
0	0	55,945	0	774,818	45,807,842	0	49,723,528	44,588,302	
$ 0	$ 0	$ 3,664,358	$ 0	$ 1,720,685	$ 63,892,558	$ 14,217	$ 76,926,914	$ 70,029,291	

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PUBLIC COMMUNITY COLLEGE
EXHIBIT B
STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended August 31, 1993
With Memorandum Totals at August 31, 1992

		CURRENT FUNDS				
		Unrestricted	Auxiliary Enterprises	Restricted	Total	Loan Funds
	REVENUES AND OTHER ADDITIONS					
(1)	Unrestricted Current Funds Revenue (Exh. C)	$ 22,536,389	$ 2,075,805		24,612,194	
(2)	State Appropriations - Restricted			1,822,215	1,822,215	
(3)	Federal Grants and Contracts			3,755,746	3,755,746	
(4)	State Grants and Contracts			216,518	216,518	
(5)	Local Gifts, Grants, and Contracts			455,992	455,992	
(6)	Private Gifts, Grants and Contracts				0	
(7)	Investment/Endowment Income			10,642	10,642	
(8)	Realized Gains on Investments				0	
(9)	Interest on Loans Receivable				0	27,681
(10)	U.S. Government Advances				0	
(11)	Net Change in Bonds Payable				0	
(12)	Net Change in Notes Payable				0	
(13)	Expended for Plant Facilities (Includes $x,xxx,xxx				0	
(14)	Charged to Current Funds Expenditures)					
(15)	Other Additions				0	2,369
	Total Revenues and Other Additions	$ 22,536,389	2,075,805	6,261,113	30,873,307	30,050
	EXPENDITURES AND OTHER DEDUCTIONS					
(16)	Expenditures (Exh. C)	21,347,618	1,811,940	6,487,704	29,647,262	
(17)	Expended for Plant Facilities				0	
(18)	Lapsed Appropriations				0	
(19)	Indirect Costs Recovered			18,518	18,518	
(20)	Refunded to Grantors				0	
(21)	Loan Cancellations and Write Offs				0	
(22)	Administrative and Collection Costs				0	8,677
(23)	Retirement of Indebtedness - Bonds				0	
(24)	Interest on Indebtedness				0	
(25)	Net Realized Losses on Investments				0	
(26)	Disposal of Plant Facilities				0	
(27)	Other Deductions				0	
	Total Expenditures and Other Deductions	$ 21,347,618	1,811,940	6,506,222	29,665,780	8,677
	TRANSFERS - ADDITIONS / (DEDUCTIONS)					
	Mandatory Transfers					
(28)	Retirement of Indebtedness	(2,236,850)			(2,236,850)	
(29)	Building Use Fees				0	
(30)	Tuition				0	
(31)	TPEG	(129,669)		116,702	(12,967)	12,967
(32)	SEOG Matching	(323,564)		323,564	0	
(33)	CWS Matching	(84,201)		84,201	0	
(34)	Other				0	
(35)	Non-Mandatory Transfers				0	
	Total Transfers - Additions / (Deductions)	(2,774,284)	0	524,467	(2,249,817)	12,967
	NET INCREASE/(DECREASE) FOR THE FISCAL YEAR	(1,585,513)	263,865	279,358	(1,042,290)	34,340
	FUND BALANCES, September 1, 19XX	$ 3,081,389	453,151	163,004	3,697,544	(60,165)
	Restatements (Prior Period Adjustments)	452,810	0	(41,880)	410,930	44,764
	FUND BALANCES September 1, 19XX-Restated	3,534,199	453,151	121,124	4,108,474	(15,401)
	FUND BALANCES, August 31, 19XY (Exh. A)	$ 1,948,686	$ 717,016	$ 400,482	$ 3,066,184	$ 18,939

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Endowment and Similar Funds	Annuity and Life Income Funds	PLANT FUNDS: Unexpended	PLANT FUNDS: Renewals and Replacements	PLANT FUNDS: Retirement of Indebtedness	PLANT FUNDS: Investment in Plant	TOTAL MEMORANDUM ONLY: Current Year	TOTAL MEMORANDUM ONLY: Prior Year	
$						24,612,194	23,661,845	(1)
						1,822,215	1,804,647	(2)
						3,755,746	3,255,439	(3)
						216,518	175,660	(4)
		162,500				618,492	518,710	(5)
						0		(6)
		77,638		669,497		757,777	159,418	(7)
						0		(8)
						27,681		(9)
						0		(10)
					2,055,000	2,055,000	949,309	(11)
						0		(12)
								(13)
					4,170,179	4,170,179	1,089,181	(14)
		577,585				579,954	380,386	(15)
$ 0	$ 0	817,723	0	669,497	6,225,179	38,615,756	31,994,596	
						29,647,262	27,541,298	(16)
		3,734,367				3,734,367	331,745	(17)
						0		(18)
						18,518		(19)
						0		(20)
						0	120,028	(21)
						8,677	8,606	(22)
				2,055,000		2,055,000	949,309	(23)
		16,884		1,039,836		1,056,720	804,839	(24)
						0		(25)
						0		(26)
		37,724		17,405		55,129	211,216	(27)
$ 0	$ 0	3,788,975	0	3,112,241	0	36,575,673	29,967,041	
				2,236,850		0	0	(28)
						0	0	(29)
						0	0	(30)
						0	0	(31)
						0	0	(32)
						0	0	(33)
						0	0	(34)
						0	0	(35)
0	0	0	0	2,236,850	0	0	0	
0	0	(2,971,252)	0	(205,894)	6,225,179	2,040,083	2,027,557	
$ 0	$	3,027,197	$	1,460,203	39,582,463	47,707,242	42,732,693	
0	0	0	0	(479,491)	0	(23,797)	(191,949)	
0	0	3,027,197	0	980,712	39,582,463	47,683,445	42,540,744	
$ 0	$ 0	$ 55,945	$ 0	$ 774,818	$ 45,807,642	$ 49,723,528	$ 44,568,301	

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PUBLIC COMMUNITY COLLEGE
EXHIBIT C
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
For the Year Ended August 31, 1993
With Memorandum Totals for the Year Ended August 31, 1992

				TOTALS MEMORANDUM ONLY	
REVENUES	Unrestricted	Auxiliary Enterprises	Restricted	Current Year	Prior Year
State Appropriations - General Revenue	$ 12,522,917	$ 0	$ 1,822,215	$ 14,345,132	$ 14,129,639
Tuition and Fees	4,475,658	480,134	0	4,955,792	4,526,981
Taxes for Current Operation	5,037,814	0	0	5,037,814	4,823,015
Federal Grants and Contracts	18,518	0	3,726,708	3,745,226	3,271,129
State Grants and Contracts	0	0	96,528	96,528	175,660
Local Grants and Contracts	27,677	0	307,144	334,821	410,391
Private Gifts, Grants and Contracts	0	0	0	0	
Investment/Endowment Income	0	0	0	0	
Sales & Service of Educational Activities	123,782	0	0	123,782	111,742
Sales & Services of Auxiliary Enterprises	0	1,595,671	0	1,595,671	1,389,252
Other Sources					
Interest Income	27,819	0	10,642	38,461	72,427
Gains/Losses on Investments	0	0	0	0	0
Misc. Income	302,204	0	0	302,204	397,275
Total Current Funds Revenues	$ 22,536,389 (Exh. B)	$ 2,075,805 (Exh. B)	$ 5,963,237	$ 30,575,431	$ 29,307,511
EXPENDITURES AND MANDATORY TRANSFERS:					
Educational and General					
Instruction	$ 9,767,241	$	$ 1,857,292	$ 11,624,533	$ 9,962,094
Research	0		56,998	56,998	
Public Service	868,983		257,963	1,126,946	962,859
Academic Support	1,991,457		200,780	2,192,237	1,935,352
Student Services	1,934,484		268,866	2,203,350	2,447,309
Institutional Support	3,404,703		182,714	3,587,417	5,063,557
Operation and Maintenance of Plant	3,280,200		162,954	3,443,154	3,155,914
Scholarships and Fellowships	100,550		3,500,137	3,600,687	3,086,642
Total Educational & General Expenditures	$ 21,347,618 (Exh. B)	$ 0	$ 6,487,704 (Exh. B)	$ 27,835,322	$ 26,613,727
Auxiliary Enterprise Expenditures		1,811,940 (Exh. B)		1,811,940	927,571
Mandatory Transfers for:					
TPEG to Restricted & Loan Funds	(129,669)		116,702	(12,967)	(111,252)
SEOG Matching to Restricted	(323,564)		323,564	0	(298,556)
CWS Matching to Restricted	(84,201)		84,201	0	(86,546)
Principal and interest	(2,236,850)			(2,236,850)	(1,576,135)
Renewals and replacements				0	0
Total expenditures and mandatory transfers	$ 24,121,902	$ 1,811,940	$ 5,963,237	$ 31,897,079	$ 29,613,787
Other transfers and additions/(deductions):					
Non-mandatory transfers				0	0
Excess of restricted receipts over transfer to revenues			297,876	297,876	258,634
Excess of TPEG Transfer over Grant Awarded					
Indirect Cost Recovered			(18,518)	(18,518)	13,587
Refunded to grantors				0	
Net increase in fund balances	$ (1,585,513)	$ 263,865	$ 279,358	$ (1,042,290)	$ (34,055)

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PUBLIC COMMUNITY COLLEGE
Schedule A-1
Schedule of Cash, Cash Equivalents, and Investments
August 31, 19X2

	Current Funds			Loan Funds	Endowment and Similar Funds	Plant Funds		Agency Funds	TOTAL
	Unrestricted	Auxiliary Enterprises	Restricted			Unexpended	Retirement of Indebtedness		
Cash on Hand									
Petty Cash	$ 1,250	$	$	$	$	$	$	$	1,250
Cash in Transit									0
									0
Cash in Bank									0
Demand Account	210,140	37,305	142,568	15,783		82,251		13,163	501,210
									0
Cash Equivalents									0
Certificates of Deposit									0
U. S. Treasury Bills									0
									0
Total Cash and Cash Equivalents (EXHBIT A)	211,390	37,305	142,568	15,783	0	82,251	0	13,163	502,460
Short-Term Investments									
Certificate of Deposits	300,000								300,000
Lonestar							500,000		500,000
TEXPOOL	1,086,812		62,384			47,245	1,079,559		2,276,000
U. S. Treasury Notes									0
Total Short-Term Investments (Exhibit A)	1,386,812	0	62,384	0	0	47,245	1,579,559	0	3,076,000
Long-Term Investments									
U. S. Treasury Bonds	500,000								500,000
Municipal Bonds									0
Corporate Bonds and Notes	500,000	300,000							800,000
Corporate Stock		300,000							300,000
Commercial Paper		300,000				100,000			400,000
Mineral Interests									0
Certificate of Deposits	1,000,000								1,000,000
Mutual Funds	200,000								200,000
Real Estate									0
Total Long-Term Investments (Exhibit A)	2,200,000	900,000	0	0	0	100,000	0	0	3,200,000
Total Cash, Cash Equivalents, and Investments	$ 3,798,202	$ 837,305	$ 204,952	$ 15,783	$ 0	$ 229,496	$ 1,579,559	$ 13,163	$ 6,778,460

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PUBLIC COMMUNITY COLLEGE
SCHEDULE C-1
STATEMENT OF CURRENT FUNDS REVENUES
For the Year Ended August 31, 1993

	Unrestricted	Auxiliary Enterprises	Restricted	Total
State Appropriations:				
Education and General State Support	$ 12,139,726	$	$	$ 12,139,726
Non-Course-Based Remedial Education			52,134	52,134
State Group Insurance			1,178,674	1,178,674
State Retirement Matching			503,753	503,753
State Retirement Adjustment			87,654	87,654
Other	383,191			383,191
Total State Appropriations	12,522,917	0	1,822,215	14,345,132
Tuition and Fees				
Tuition	2,853,432			2,853,432
Building Use Fee	860,908			860,908
General Fees	421,653			421,653
Student Service Fee		480,134		480,134
Laboratory Fee	239,115			239,115
Remissions and Exemptions	100,550			100,550
Other (detail as needed)				0
Total Tuition and Fees	4,475,658	480,134	0	4,955,792
Taxes for Current Operations	5,037,814			5,037,814
Federal Grants and Contracts				
Programs (detail as necessary)			3,726,708	3,726,708
Recovery of Indirect Costs	18,518			18,518
Total Federal Grants and Contracts	18,518	0	3,726,708	3,745,226
State Grants and Contracts				
Programs (detail as necessary)			96,528	96,528
Recovery of Indirect Costs				0
Total State Grants and Contracts	0	0	96,528	96,528
Local Grants and Contracts				
Programs (detail as necessary)	27,677		307,144	334,821
Recovery of Indirect Costs				0
Total State Grants and Contracts	27,677	0	307,144	334,821
Private, Gifts, Grants, and Contracts				
Programs (detail as necessary)				0
Recovery of Indirect Costs				0
Total Private Gifts, Grants, and Contracts	0	0	0	0
Endowment Income				0
Sales & Services of Educational Activities	123,782			123,782
Sales & Services of Auxiliary Activities		1,595,671		1,595,671
Other Sources				
Gains/Losses on Investments	0			0
Interest Income	27,819		10,642	38,461
Other Misc. Income (detail as needed)	302,204			302,204
Total Other Sources	330,023	0	10,642	340,665
Total Current Funds Revenues (Exh. C)	$ 22,536,389	$ 2,075,805	$ 5,963,237	$ 30,575,431

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PUBLIC COMMUNITY COLLEGE
SCHEDULE C-2
STATEMENT OF CURRENT FUNDS EXPENDITURES BY OBJECT
For the Year Ended August 31, 1993

	SALARIES AND WAGES	OTHER EXPENSES	CAPITAL OUTLAY	TOTAL
Unrestricted - Educational and General				
Instruction	$ 8,721,919	$ 857,838	$ 187,484	$ 9,767,241
Research				0
Public Service	568,968	261,505	38,510	868,983
Academic Support	1,200,368	677,416	113,673	1,991,457
Student Services	1,263,607	601,897	68,980	1,934,484
Institutional Support	1,347,593	1,789,192	267,918	3,404,703
Operation and Maintenance of Plant	1,297,280	1,701,196	281,724	3,280,200
Scholarships and Fellowships		100,550		100,550
Total Unrestricted	14,399,735	5,989,594	958,289	21,347,618
				(Exh. C)
Restricted - Education and General				
Instruction	365,140	1,317,243	174,909	1,857,292
Research	56,998			56,998
Public Service	102,016	148,281	7,666	257,963
Academic Support		200,780		200,780
Student Services	84,065	184,801		268,866
Institutional Support		182,714		182,714
Operation and Maintenance of Plant		162,954		162,954
Scholarships and Fellowships		3,500,137		3,500,137
Total Restricted	608,219	5,696,910	182,575	6,487,704
				(Exh. C)
Total Educational and General	15,007,954	11,686,504	1,140,864	27,835,322
Auxiliary Enterprises	162,727	1,623,316	25,897	1,811,940
				(Exh. C)
Total Current Fund Expenditures	$ 15,170,681	$ 13,309,820	$ 1,166,761	$ 29,647,262

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PUBLIC COMMUNITY COLLEGE
SCHEDULE C-3
SCHEDULE OF UNRESTRICTED CURRENT FUNDS
EDUCATIONAL AND GENERAL EXPENDITURES
SUMMARIZED BY ELEMENTS OF INSTITUTIONAL COSTS
For the Year Ended August 31, 19x3

Instruction		
Academic Programs		
Faculty Salaries	5,283,097	
Departmental Operating Expenses	477,335	
Organized Activities Related to Instructional Departments		5,760,432
Vocational Technical Programs		
Faculty Salaries	3,426,974	
Departmental Operating Expenses	496,279	
Organized Activities Related to Instructional Departments		3,923,253
Total Instruction		9,683,685
Extension and Public Service		868,983
Academic Support		
Library	1,035,797	
Instructional Administration	702,432	1,738,229
Student Services		1,788,463
Institutional Support		3,437,956
Operation and Maintenance of Plant		
Plant Support Services	414,146	
Building Maintenance	402,334	
Custodial Services	609,403	
Grounds Maintenance	333,972	
Utilities	1,205,387	2,965,242
Staff Benefits		
Group Insurance Premiums	354,008	
O. A. S. I.		
Worker's Compensation Insurance	89,856	
State Retirement Adjustment	87,654	
Other	132,225	663,743
Special Items		
Major Repairs and Rehabilitation of Facilities and Buildings		163,660
Total Expenditures by Elements of Institutional Costs		$ 21,309,961 [a]

[a] Reconciliation		
Total Expenditures by Function (Exh. C)		$ 21,347,618
Plus: Unexpended Plant Fund Expenditures		
Decrease in Accrued Compensable Absences		
State Retirement Adjustment		87,654
Less: Increase in Accrued Compensable Absences		(24,761)
Remissions and Exemptions		(100,550)
Total Expenditures by Elements of Institutional Costs		$ 21,309,961

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PUBLIC COMMUNITY COLLEGE
SCHEDULE C-4
SCHEDULE OF CHANGES IN TAXES RECEIVABLE
For the Year Ended August 31, 19X3

Assessed valuation of District	$ 4,217,481,842		
	Current Operations	Debt Service	Total
Tax rate authorized per $100 valuation	$ 0.1172	$	$ 0.1172
Tax rate assessed per $100 valuation	$ 0.1172	$	$ 0.1172
Taxes Receivable, August 31, 19X2	$ 162,643	$ 0	$ 162,643
Taxes Assessed	4,942,889	0	4,942,889
Penalty & Interest Assessed	160,508	0	160,508
Subtotal Assessment	5,103,397	0	5,103,397
Taxes collected			
Current	4,693,401		4,693,401
Delinqent	143,547		143,547
Penalties and interest	120,008		120,008
Subtotal Collections	4,956,956	- 0	4,956,956
Adjustments			
Fees for Assessment and Collecting	12,357		12,357
Taxes Written-off	33,105		33,105
Allowance for Doubtful Accounts	109,000		109,000
Subtotal Adjustments	154,462	0	154,462
Taxes Receivable, August 31, 19X3	$ 154,622	$ 0	$ 154,622

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PUBLIC COMMUNITY COLLEGE
SCHEDULE D-1
BONDS PAYABLE AND DEBT SERVICE REQUIREMENTS
For the Year Ended August 31, 19X3

Description	Bonds Issued to Date	Range of Interest Rates	Bonds Outstanding 09/01/X4	Bonds Issued After 09/01/X4	Bonds Matured or Retired	Bonds Refunded	Bonds Outstanding 08/31/X5	Maturities First Year	Maturities Last Year	Maturities First Call Date
Combined Fee										
Refunding Revenue Bond 1989	$ 10,745,000	6.50-7.10	$ 9,100,000	$	$ 665,000	$	$ 8,435,000	1990	2002	08/01/98
Revenue Bonds 1991	5,000,000	5.80-6.70	4,860,000		150,000		4,710,000	1992	2010	08/01/00
Building Bonds 1992	5,000,000	6.00-6.40	5,000,000		130,000		4,870,000	1993	2012	08/01/02
Second Lien Revenue Bond 1993	3,000,000	8.00		3,000,000			3,000,000	1996	2000	08/01/93
Paying Agent Fees										
Total	$ 23,745,000		$ 18,960,000	$ 3,000,000	$ 945,000	$ 0	$ 21,015,000 (Exh. A)			

	Summary of Debt Service Requirements to Maturity Year Ending August 31,						
Description	19X6	19X7	19X8	19X9	19Y0	All Other Years	Total Requirements
Combined Fee							
Refunding Revenue Bond 1989	$ 1,294,380	$ 1,291,810	$ 1,290,848	$ 1,296,108	$ 1,291,855	$ 5,179,285	$ 11,644,286
Revenue Bonds 1991	460,228	460,948	461,088	460,468	459,258	5,639,569	7,941,559
Building Bonds 1992	445,048	441,047	441,748	441,847	437,310	6,195,405	8,402,405
Second Lien Revenue Bond 1993	240,000	240,000	840,000	792,000	744,000	1,344,000	4,200,000
Paying Agent Fees							
Total	$ 2,439,656	$ 2,433,805	$ 3,033,684	$ 2,990,423	$ 2,932,423	$ 18,358,259	$ 32,188,250

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PUBLIC COMMUNITY COLLEGE
SCHEDULE D-2
SCHEDULE OF PLEDGED REVENUES AND FUND BALANCES
FOR REVENUE BONDS OUTSTANDING
For the Year Ended August 31, 1993

	PLEDGED REVENUES AND RELATED EXPENDITURES							
Description	Operating Revenues	Interest Earned on Investments	Other Pledged Revenues	(a) Total Pledged Revenues	(b) Other Revenue Sources	(c) Operating Expense	(d) Capital Outlay	(a+b-c-d) Net Available for Debt Service
Combined Fee Revenue Bonds 1989, 91, 92, & 93	$ 3,387,315	$ 27,819	$ 0	$ 3,415,134	$ 0	$ 0	$ 0	$ 3,415,134
Totals	$ 3,387,315	$ 27,819	$ 0	$ 3,415,134	$ 0	$ 0	$ 0	$ 3,415,134

			RESTRICTED ACCOUNT BALANCES			
			Interest and Sinking Fund		Bond Reserve Fund	
Description	Debt Service Principal	Debt Service Interest	Minimum Required	Actual Balance	Minimum Required	Actual Balance
Combined Fee Revenue Bonds 1989, 91, 92, & 93	$ 945,000	$ 777,161	$	$ 10,000	$ 750,000	$ 764,818
Totals	$ 945,000	$ 777,161	$ 0	$ 10,000	$ 750,000	$ 764,818

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Revised as of April 7, 1994

Independent Auditor's Report on Schedule of Federal Financial Assistance

The independent auditor's report should precede the Schedule of Federal Financial Assistance and the auditor should follow the pronouncements of the American Institute of Certified Public Accountants. (Statement of Position 92-7 or subsequent pronouncements).

PUBLIC COMMUNITY COLLEGE
SCHEDULE D-3
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
For the Year Ended August 31, 1993

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass Through Disbursements and Expenditures
U.S. Department of Education			
Direct Programs:			
SEOG	84.007		104,494
Federal College Workstudy Program	84.033		270,567
Pass-Through From:			
Texas Education Agency			
Adult Basic Ed. 90-91	84.002 *		447,635
Adult Basic Ed. 91-92	84.002 *		478,654
Adult Basic Ed. Amnesty 89-90	84.002 *		208,231
Adult Basic Ed. Amnesty 90-91	84.002 *		489,621
Subtotal ABE			1,624,141
Texas Higher Education Coordinating Board			
Carl Perkins Voc. Ed.	84.048 *		869,567
Total U.S. Department of Education			2,868,769
Other Federal Assistance			
Direct Programs:			
U.S. Department of Education			
ADFC	84.000		226,226
U.S. Department of Defense			
Military Construction, Army National Guard	12.000 *		650,231
Total Other Federal Assistance			876,457
Total Federal Financial Assistance			$ 3,745,226

* Denotes major federal financial assistance programs as defined by the Single Audit Act of 1984 and OMB Circular A-128.

Revised as of April 30, 1996

Note 1: Federal Assistance Reconciliation

Federal Revenues - per Exhibit C:	
Federal Grants and Contracts	$ 3,726,708
Indirect/Administrative Costs Recoveries	18,518
Total Federal Revenues per Exhibit C	3,745,226
Reconciling Items:	
ADD:	
Expenditures Not Subject to an A-128 Audit	0
Total Pass-Through & Expenditures Per Federal Schedule	$ 3,745,226

Note 2: Student Loans Processed and Administrative Costs Recovered - Not Included in Schedule

Federal Grantor CFDA Number /Program Name	New Loans Processed	Administrative Cost Recovered	Total Loans Processed & Admin Cost Recovered
Department of Education			
84.032 Federal Family Education Loan Program	$ 687,576	$ 0	$ 687,576
84.038 Federal Perkins Loan Program	502,828	0	502,828
Total Department of Education	$ 1,190,404	$ 0	$ 1,190,404

Changes to Schedule of Federal Financial Assistance

Federal loan programs to students should NOT be included in the Schedule. These programs should be in a footnote to the Schedule. The footnote should include the CFDA number as well as the total amount of the loans. The total amount of the loans should also be included in the computation of major federal programs and be tested as if they were part of the Schedule. They would NOT be included in the percentage figure shown as expended from major programs in the Report on Internal Controls - Federal Financial Assistance.

The Texas Higher Education Coordinating Board does not discriminate on the basis of race, color, national origin, gender, religion, age or disability in employment or the provision of services.

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